



## OVERSEAS NEWS

## Romania ready to pledge end to foreign borrowing

By Judy Dempsey in Vienna.

THE Romanian authorities are expected today to pass a law ruling out future foreign borrowing, despite the chronic condition of the country's economic and industrial infrastructure as well as widespread food shortages.

The decision will be endorsed by the Grand National Assembly, the rubber-stamp Parliament, following a recent meeting of the ruling communist party's central committee.

During that meeting, Mr Nicolae Ceausescu, the Romanian president and communist party leader, announced that foreign debts had been "completely repaid" and at the weekend in a speech to the party-backed National Council of the Socialist Democracy and Unity, he ruled out any future foreign credits or loans.

"Now that we have long ceased to pay tribute, but have no debts either, we have decided not to depend on anyone anymore either economically or politically to really ensure the independence of our people, our nation."

The decision, he said had already been agreed by the central committee.

Economists specialising in East European economies, yesterday said Romania's industrial infrastructure was likely to deteriorate even further as a result of the end of foreign

borrowing and access to credits.

The country's debts, which in 1980 exceeded \$10bn, were repaid at breakneck speed at the expense of postponing the modernisation of industry and radically reducing living standards.

Exports, particularly food, were accelerated while imports were drastically cut back. Enterprises, despite facing acute shortages of spare parts, were penalised if their export quotas were not met.

In addition, the most basic commodities, such as bread, were rationed to levels of the Second World War period and for several years, supplies of meat, dairy products and vegetables have been unavailable in the capital Bucharest and other cities.

However, some Western economists and bankers last week argued that since the country had a large trade surplus of well over \$1bn, President Ceausescu could use the surplus to buy vital technology in order to rebuild the shattered economic base, or even slow down the export drive so as to improve the food situation.

But his speech at the weekend seemed to indicate that Romania is fast becoming a new Albania with little prospect in the foreseeable of any change in economic policy.

Mr Francisco Fernandez Ordonez, Spain's Foreign Minister, said yesterday after chairing a meeting of his European Community colleagues that the EC was determined to take a very firm line with Romania over human rights, Renter reports from Granada.

He said the Community planned to circulate its complaints about Romania's treatment of dissidents to all 35 members of the Conference on Security and Cooperation in Europe (CSCE), which concluded a set of agreements including commitments on human rights in Vienna last month.

Circulating information about the complaint is a prelude to having the issue raised at a follow-up conference in Paris next month, which Western diplomats hope will condemn Romania for not meeting its CSCE obligations.

The Spanish Minister said he and his EC colleagues had agreed the Community should continue to treat each East Bloc country on its merits. The ministers welcomed reforms in Poland and Hungary.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, said "A modernisation of the West's policy towards the East is needed to develop a political strategy supporting reform efforts there."



Residents of Tbilisi, the Georgian capital, join a funeral procession at the weekend for the 19 people killed in clashes earlier this month between Soviet troops and demonstrators.

## Soviet tax remains progressive

By John Lloyd in Moscow

A DECREE on income tax, published by the Soviet authorities yesterday, shows that the perestroika tax regime will remain progressive - with the low-paid paying no tax or only small amounts, while the higher-paid will have their pipes made to squeak, moderately.

The law exempts from tax all of those on incomes of 80 rubles (about \$30) a month - a very low income, but one on which many pensioners find themselves. Those on incomes of between 80 and 100 rubles will pay less tax, while most of the population, those earning between 100 and 700 rubles a month, will remain on the

present rate of 13 per cent.

Above 700 rubles, however, the marginal rates rise fairly steeply. Those earning in the band between 701 and 900 rubles will pay 83.20 rubles on the 700 plus 13 per cent on the rest; between 1,301 and 1,500, 156.30 rubles on the 1,100 and 30 per cent on the rest; between 1,501 and 2,000 rubles, 216.20 on the 1,300 and 40 per cent on the rest; and those between 1,501 and 1,700 rubles, 236.20 on the 1,500 and 50 per cent on the rest.

There has been a common assumption in the Soviet Union, by no means unreasonable, that anyone in these

higher income bands must be a crook. However, with over 700,000 workers now in the co-operative sector earning above-average wages, the new bands appear designed to claw back some of these earnings.

Another widespread new phenomenon - royalties - is also to be taxed. Here, the earnings range from 1,200 to 18,000 rubles a year, and the marginal tax rates from 13 to 50 per cent.

A move from direct to indirect taxation has been called for by prominent economists in past months, but no details of other than income tax changes are given in the decree.

## Italy's railway saviour refuses to be crowned

By John Wyles in Rome

ITALIAN ambitions to reform one of Europe's most backward and unprofitable railway systems have been severely jolted by the withdrawal of the man cast in the role of managerial saviour, Mr Mario Schimberni.

The former managing director of Montedison has made it clear he is not interested in becoming president of the railways because the political controls will be too onerous and because of a fundamental policy disagreement over privatisation with the Minister of Transport, Mr Giorgio Santuz.

This bombshell for the Government exploded just as the cabinet was adopting a new legislative proposal on Friday which will fundamentally change the management structure of the deeply troubled Ferrovie dello Stato (FS). Last year, FS required subsidies of 1,500,000 million (\$1,250m) to cover operating losses and 1,5,900m for capital investment.

Mr Schimberni has been managing the FS as a special commissioner since last December, when most of the company's board, including the president and director general, became the targets of investigation on corruption charges.

His decision reflects the violent clash of cultures between a private sector manager and the network of politicians, trade unionists and equipment manufacturers long accustomed to regarding the FS as a playground for their interests. Although the Santuz reform of the FS would have concentrated management power on the president, Mr Schimberni complained it allowed for political controls which went beyond the setting of strategic objectives, and would have curbed his freedom to manage. In addition, the Santuz plan allows a private sector role through joint ventures in parts of the rail network. Mr Schimberni is adamant FS control of its network must not be compromised in this way.

Mr Santuz will meet rebellious top railway managers on Wednesday but it seems unlikely he can make the compromises needed to win a change of mind.

Many would be relieved to see Mr Schimberni go. He produced in February a choice of three five-year plans, all aimed at reducing subsidies, developing profitable goods traffic and raising efficiency and quality. These unions fear all options point to a cut of 50,000 in the 226,000 workforce while politicians fear the closure of unprofitable lines.

## Latin American polls test region's appetite for more democracy

Robert Graham details parties, contenders and previous results

IN the next month presidential elections are due to be held in four Latin American countries, the largest concentration of such elections in recent memory. The elections in Venezuela, Bolivia, Panama and Paraguay will be followed later this year by contests in Brazil and Chile.

The polls will determine whether or not the trend away from military governments towards fully fledged democracies is consolidated. The debt crisis, combined in most instances with poor economic management, has discredited the ruling parties or coalitions. The outcomes will be judged at their simplest by each country's ability to ensure a democratic transfer.

In Bolivia, this has not occurred since independence over 150 years ago. In Paraguay and Panama, the democratic nature of the election remains in doubt. In February General Andres Rodriguez deposed General Alfredo Stroessner, dictator of Paraguay for 34 years. Rodriguez, now standing as presidential candidate of the ruling Colorado Party, is widely expected to win.

In Panama, Mr Guillermo Duque, the candidate being backed by the Panamanian strongman General Manuel Antonio Noriega, is regarded as well ahead of his rivals. The elections will be as follows:

**PARAGUAY**  
DATE: May 1  
TYPE: Presidential, Legislative  
CONTENDERS:  
Presidential: General Andres Rodriguez - ANR-Partido Colorado  
No other candidate  
Legislative: Partido Liberal radical (PLR); Partido Liberal (PL); Partido Liberal Radical Autentico\* (PLRA); Partido Revolucionario Feherista\* (PRF); Partido Demócrata Cristiano\* (PDC).  
\*Coalesced in the Acuerdo Nacional (AN)

PREVIOUS RESULTS:  
Presidential: (14 February 1988)  
General Stroessner (ANR-Partido Colorado) 88.6%  
Luis Maria Vega, PLR: (1.1%)  
Carlos Ferreira Ibarra, PL: (3.1%)

**BOLIVIA**  
DATE: May 7  
TYPE: Presidential, Legislative  
MAIN CONTENDERS:  
Gonzalo de Lozada, Movimiento Nacionalista Revolucionario (MNR)  
General Hugo Banzer, Accion Democratica Nacionalista (ADN)  
Jaime Paz Zamora, Movimiento de la Izquierda Revolucionaria-Nueva Mayoria (MIR)  
Antonio Arambur, Izquierda Unida (IU)  
Victor Hugo Cárdenas, Movimiento Revolucionario Tupac Katari de Liberación (MRTK)  
Carlos Palenque, Conciencia de Patria (CP)  
Roger Corbe, Partido Socialista-Uno (PS-Uno)  
Edil Sandoval, Movimiento de Izquierda Nacional (MIN)

PREVIOUS RESULTS:  
Presidential: (July 2, 1985)  
Victor Paz Estenssoro (MNR-Historico): 26.4%  
General Hugo Banzer (ADN): 26.6%  
Jaime Paz Zamora (MIR): 10%  
Victor Paz Estenssoro elected

**ARGENTINA**  
DATE: 14 May  
TYPE: Presidential, Legislative (27 Deputies, 15 Senators)  
CONTENDERS:  
Eduardo Angeloz (Union Civica Radical - UCR); Carlos Saul Menem (Partido Justicialista - PJ or Peronista); Alvaro Alsogaray (Union de Centro Democratico - UCeDé); Néstor Kirchner (Esquerda Unida - IU)  
PREVIOUS RESULTS:  
Presidential: Raul Alfonsín Foulkes (UCR) 51.8% - 317 seats; Italo Luder (PJ) 40.2% - 258 seats; Oscar Alende (Partido Intransigente) 2.3% - 2 seats; Others: 5.7% - 22 seats.  
Legislative:  
UCR 116 (37%)  
Peronists 110 (41%)  
Others: 28 (23%)

**PANAMA**  
DATE: May 7  
TYPE: Presidential, Vice-Presidential, Legislative (67 seats)  
MAIN CONTENDERS:  
Coalición de Liberación Nacional (Colina) is a pro-government coalition formed by the Partido Revolucionario Democrático (PRD), the Partido Republicano (PR), the Partido Liberal, the Partido Laborista (PaLa), Partido del Pueblo Panameño (PPP), Partido Panameñista Revolucionario (PPR), Partido Democrático de los Trabajadores (PDT) and the Partido de Acción Nacional (PAN).  
Alianza Democrática de Oposición Civilista (Adoc) is an opposition alliance formed by the Partido Demócrata Cristiano (PDC), the Partido Liberal Auténtico (PLA), a faction of the Partido Panameñista Auténtico (PPA) and the Movimiento Liberal Republicano Nacional (Mollarena).  
Main candidates:  
Colina - Carlos Duque (PRD) for President, Ramón Siero (PaLa) and Aquilino Boyd as Vice President.  
Adoc - Guillermo Endara as President, Ricardo Arias Calderón (PDC) and Guillermo Ford as Vice Presidents.

PREVIOUS RESULTS:  
Presidential: (6 May 1984)  
Nicolás Ardito Barletta (Union Nacional Democrática - Unade) 308,718  
Arualfo Arias Madrid (Alianza Democrática de Oposición - Ado) 289,035  
Legislative:  
Unade: 40 seats  
ADO: 27 seats

**CHILE**  
DATE: 14 May  
TYPE: Presidential, Legislative (47 Deputies, 15 Senators)  
CONTENDERS:  
Eduardo Angeloz (Union Civica Radical - UCR); Carlos Saul Menem (Partido Justicialista - PJ or Peronista); Alvaro Alsogaray (Union de Centro Democratico - UCeDé); Néstor Kirchner (Esquerda Unida - IU)  
PREVIOUS RESULTS:  
Presidential: Raul Alfonsín Foulkes (UCR) 51.8% - 317 seats; Italo Luder (PJ) 40.2% - 258 seats; Oscar Alende (Partido Intransigente) 2.3% - 2 seats; Others: 5.7% - 22 seats.  
Legislative:  
UCR 116 (37%)  
Peronists 110 (41%)  
Others: 28 (23%)

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OVERSEAS NEWS

# Howe and Bush seek compromise on N-missiles

By Lionel Barber in Washington

SIR Geoffrey Howe, the British Foreign Secretary, will meet President George Bush today for talks on bridging differences in the Nato alliance over modernising its short-range nuclear missile arsenal.

The Bush administration has recently signalled willingness to be flexible on updating Nato's ageing Lance tactical missiles, mainly to accommodate the West German Government and avoid a damaging split in the alliance ahead of the Nato summit in June.

Mrs Margaret Thatcher, the British Prime Minister, has remained insistent that the West should modernise its short-range weapons, arguing forcefully that "delays will make it even harder to make an eventual decision on Lance replacement stick."

Both the US and the UK wish to avoid the impression of Nato disarray in the face of a barrage of Soviet promises to cut conventional forces in Europe. They are also concerned that Nato should avoid any suggestion that Lance modernisation could be subject

# Aid debacle lays French sympathies bare

France was seen as directly favouring Lebanon's Christians, writes George Graham

FRANCE finally began to put its Lebanon aid operation into motion at the weekend, with the evacuation of 14 wounded Beirutis to the French naval hospital ship *La France*.

For Paris, the operation provides a welcome conclusion to days of difficult negotiation with the Lebanese factions.

French Middle Eastern analysts and France's Western allies are still trying to puzzle out how France managed to get into such a mess over its Lebanese aid effort.

The episode appears to have begun with a denunciation by Mr Francois Léotard, leader of the opposition Republican Party, of France's acquiescence in "the elimination of the Christians of the East".

While a few nostalgic voices recalled the offer of protection made by the French king, St Louis, to the Maronite Christians in 1250, President Fran-

çois Mitterrand - citing France's "instinctive solidarity" with Lebanon - took command from his Foreign Ministry and sent a hospital ship and a patrol tanker.

Mr Léotard's appeal was overtly pro-Maronite, and President Mitterrand, though more nuanced, did nothing in subsequent statements to undo the impression that France was taking sides.

By choosing as a special envoy Mr Jean-François Deniau, an opposition politician with Maronite sympathies, the French Government virtually ensured that its aid would be seen as aimed at the Christians.

Since his return from Beirut, Mr Deniau has accused Syria of deliberately shelling him and has stated his belief that Gen Michel Aoun, the Christian military leader, speaks for all Lebanon.

SHELLS blasted Beirut yesterday as fighting continued between Syrian forces backed by Moslem militia and Christian Lebanese troops.

Reuter reports: At least 20 people, including the Spanish ambassador, were killed and nearly 100 were wounded.

Don Pedro Manuel De Aristegui, the Spanish ambassador and his Lebanese wife Joumana were both wounded when a shell crashed into the embassy shelter in the Christian suburbs of Be'ehda. The ambassador died in hospital.

Paris has bitterly criticised its Western allies for their lack of support. "Whatever we did was going to be criticised, and we were going to be criticised if we did nothing. We only wanted to do something effective for Lebanon, but no one wanted to come with us," said one official.

The gap between France and its allies reflects not just different assessments of the utility of getting mixed up in Lebanon, but a divergence in broader Middle East policy.

they make it clear that Mr Sharaa misunderstood. While US policy gives priority to the Arab-Israeli conflict, tending to seek Syria's acquiescence by leaving it considerable leeway in Lebanon, France apparently hopes for a separate Lebanese solution, founded on Syrian withdrawal.

France's protestations of even-handedness may be justified in relation to the distribution of its medical supplies but conversations with government officials make it clear that the Elysée, if not the Foreign Ministry, comes close to sharing Mr Deniau's view of Gen Aoun as the saviour of Lebanon from an invader.

Besides blaming Syria for the recent outbreak of fighting, officials accuse the US of trying to destabilise Gen Aoun.

In any event, France's attempt to carry out its aid operation in defiance of Syria misfired badly last week and the chances of following up the first two vessels with further aid appear slim.

# Mubarak removes Defence Minister

By Tony Walker in Cairo

THE sudden removal of Egypt's powerful Defence Minister from his post at the weekend is seen as a move by President Hosni Mubarak to assert his authority over his debt-burdened country.

Field Marshal Abdel Halim Abu Ghazala's appointment as a "consultant" to the president - a task described yesterday by an Egyptian observer as a "non-job" - detaches him from his military power base. The move indicates that Mr Mubarak has at last decided to clip the wings of the man regarded as his main rival and most likely successor.

An Egyptian political commentator said the president was "now in full command" of the civilian and military branches of government and was ready to play a more decisive role in tackling Egypt's economic difficulties.

No authoritative official explanation has been provided for the removal of Mr Ghazala, 59, and his replacement by Youssef Abu Taleb, 60, the governor of Cairo. The abrupt decision has prompted suggestions that serious personal differences may have arisen between Mr Ghazala and Mr Mubarak.

Mr Ghazala had served as Defence Minister since March 1981 and was regarded as pro-American.

General Abu Taleb, who replaces him, commanded Egypt's artillery during the 1973 war. He is reputed to be a hard-working and incorruptible public servant.

Cairo observers expect further government changes this year after a new economic reform agreement has been reached with the IMF.

# PLO calls for 'Namibia-style' elections

By Tony Walker in Cairo and Lemis Andoni in Amman

THE Palestine Liberation Organisation called at the weekend for "Namibia-style" elections to be held in the West Bank and Gaza Strip as a step towards resolving the Middle East dispute.

Mr Yasser Arafat, the PLO leader, who paid lightning visits to Egypt and Jordan, said after talks with Egyptian President Hosni Mubarak that elections must be held under international supervision and not under Israeli occupation.

Mr Arafat was responding to proposals advanced by Mr Yitzhak Shamir, the hard-line Israeli Premier, for elections in the West Bank and Gaza as a step towards greater autonomy for the 1.5m Palestinians resident there.

PLO officials and Palestinian spokesmen inside the territories have said the Shamir plan is unacceptable in its present form, but they have made it clear that they are willing and even anxious to pursue discussions about elections.

"I welcome any elections among the Palestinian people, but not under [Israeli] occupation," Mr Arafat told reporters after talks with Mr Mubarak on Saturday.

The Egyptian president, standing next to Mr Arafat, endorsed his remarks. Mr Arafat called on Washington to adopt the same approach to the Middle East dispute as with Namibia, where US-backed preparations are under way for holding an internationally-supervised plebiscite.

ARAB hospital officials said Israeli soldiers shot dead a child and wounded 13 demonstrators in the occupied territories yesterday, Reuter reports.

Chief of the Hussein hospital in Beit Jalla said the 10-year-old boy died of gunshot wounds to the leg and hip in Samoa village, near the southern border of the West Bank.

The Israelis declared much of the occupied territories under curfew in an attempt to head off protests marking the first anniversary of the killing of the Palestine Liberation Organisation's military commander Khalil al-Wazir, known as Abu Jihad.

# Israelis fire at demonstrators



Sir Geoffrey Howe, who meets President Bush in Washington today, pictured (left) with Mr Hans-Dietrich Genscher, West German Foreign Minister, in Granada yesterday

# Tamils agree to talks with Premadasa

TAMIL separatist guerrillas in Sri Lanka said at the weekend that they were ready to hold talks with President Ranasinghe Premadasa.

A presidential spokesman said the offer by the Liberation Tigers of Tamil Eelam was being conveyed to President Premadasa who is away from Colombo.

The President has invited the Tamil guerrillas and southern Sinhalese rebels for talks on several occasions since he was elected last December.

"He will welcome any opportunity for talks," one official said.

In another development, the spokesman said India had agreed to withdraw immediately a further five battalions comprising 7,000 troops and their equipment from the island.

He said New Delhi was responding to a request by President Premadasa for a phased withdrawal of the 45,000 troops it still has on the island.

Indian troops arrived in northern Sri Lanka in July 1987 to implement a peace accord signed by former President Junius Jayawardene and Mr Rajiv Gandhi, Indian Prime Minister.

# EC ministers disagree over Brady debt plan

By Peter Bruce in Madrid

SENIOR South American foreign ministers failed at the weekend to persuade their 12 European Community colleagues to throw the EC's weight behind proposals by Mr Nicholas Brady, the US Treasury Secretary, to cut the costs of servicing Latin America's \$420bn external debt.

Prodded on by Spain, however, the EC ministers, who met informally in Granada, did agree to place the Latin American debt problem on the agenda for the EC summit in Madrid in June when Spain's six-month EC presidency ends.

Mr Francisco Fernandez Ordonez, the Spanish Foreign Minister, conceded that the Community ministers had disagreed about whether to support Mr Brady's plan, which involves forgiving a proportion of the total debt and using the International Monetary Fund and the World Bank to guarantee interest payments on the rest.

But, he said, the talks with the Latin American Ministers had been "enormously" fruitful. Some EC countries, particu-

larly Britain and to a lesser extent West Germany, have reservations about the plan because it could involve Community taxpayers paying for loans made by US banks.

A French proposal to call an international meeting of debtor and creditor nations was coolly received at Granada.

The American ministers, from Argentina, Colombia, Mexico, Brazil, Uruguay, Peru and Venezuela, were nevertheless able to put forward their case with considerable force.

Mr Dante Caputo, the Argentine Foreign Minister, said recent bloody riots in Venezuela should serve as a warning to the West.

Latin American debtors had paid back \$179bn in loans since 1982, contributing to the "appetite for debt of a certain privileged country". He meant the US, the region's biggest creditor.

The EC ministers also appear to be close to agreeing a common position on interim proposals to bring peace to territories occupied by Israel in the Middle East.

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### Optimism for 1989

Preliminary figures for the early months of this year, combined with a favorable outlook for the global economy, point to another rewarding performance for the BASF Group and its shareholders in 1989. As one of the world's leading chemical companies, BASF is indeed well positioned to pursue its long-term strategy of maintaining and enhancing its blue-chip status.

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OVERSEAS NEWS

# Fear of Recruit arrests raises tension in Tokyo

By Ian Rodger in Tokyo

TENSION was building in Japanese political circles at the weekend following authoritative reports that the public prosecutor would finally begin arresting politicians involved with the Recruit bribery scandal this week.

Mr Masami Takatsuki, the Justice Minister, hinted to on Friday that the prosecutor might take action against some politicians tomorrow or later. He also made clear that he had no intention of preventing the prosecutor from arresting Diet (parliament) members.

About 30 politicians were among those who received big financial donations from the Recruit publishing group in the mid-1980s. At the time, Recruit was carrying out a massive campaign of donations to business leaders and government officials in return for various services. Details of the campaign first came to light last June, and have been rocking the Japanese political and business worlds ever since. In recent weeks, 13 businessmen and government officials have been arrested on bribery charges in connection with Recruit.

Now speculation in Tokyo is focused on whether Mr Yasuhiro Nakasone, the former prime minister, will be questioned or arrested. Mr Nakasone was in power in the mid-1980s and it has been suggested that he played a role in having Mr Hiromasa Ezoe, the former chairman of Recruit, appointed to prestigious government advisory bodies.

Also, analysts wonder if he put pressure on Nippon Telegraph and Telephone (NTT), the state-controlled telecommunications utility which helped Recruit to an extraordinary extent in its attempts to enter the data communications business in 1985.

In his only comment on the Recruit affair, Mr Nakasone two months ago denied that he had been involved in any way. However, it is already known that his political secretary was one of 16 politicians or top aides who was given the opportunity to buy shares of Recruit Cosmos, a Recruit property

# Cheap labour and money draw investors

Richard Gourlay explains the attractions the Philippines hold for foreign business

UNIDEN of Japan chose Manila and not Bangkok for a \$26m (£15m) plant to assemble communications equipment precisely because the Philippines is not about to join the region's economic superstars.

Having moved from Japan and then from Taiwan, Uniden, which sells exclusively in dollars, could not face the prospect of another appreciating-currency country and is certain the Philippines will not become one.

For Taiwanese textile and garment makers, the Philippines' unused US export quotas were the magnet, while for almost all new investors cheap labour is high on the country's list of attractions.

Clearly, businessmen who decide to set up in the Philippines do so for a variety of reasons, not all of them necessarily to the Government's liking. But three years after President Ferdinand Marcos's dramatic departure from power, relative political stability is finally allowing investors to look at the Philippines as serious competition to other Asian countries for investments.

The cheap labour is undoubtedly a critical factor, but its abundant supply is equally important. Each year more than 800,000 school leavers enter the job market - more than 3 per cent of the labour force - and many people are forced to take jobs below their qualifications.

Even with an expected 10 per cent increase in Manila's minimum wage in May from the current level of 64 pesos (£1.50) for a 44-48 hour week, the Philippines is likely to remain one of the region's cheapest labour markets for some years.

Strikes which erupted in the first liberal days of President Corason Aquino's term have greatly subsided. The new 1986 labour code redressed some of the injustices of the Marcos years, but the two largest moderate union groups have gained ground over the radical Kilusang Mayo Uno (KMU), which was behind many of the earlier politically-motivated strikes. However, there is at least one case of a foreign bank manager receiving a death threat while negotiating a pay award, and hastily leaving the country.

The reverse side of the cheap labour coin is a per capita GNP below \$90, which restricts the size of the local market. The most frequently cited drawback is the law allowing foreigners to own only 40 per cent of a company unless it is exclusively exporting, although similar laws in Thailand, for example, have obvi-

ously not held back investment. "Selection of your business partners becomes critical and should not be made on the

## SETTING UP BUSINESSES IN ASIA



basis of a few initial contacts," says Mr Peter Wallace, a Manila consultant for Business International.

Theoretically, registration of a new company with the Securities and Exchange Commission can take as little as 24 hours, while the Board of Investments (BOI) promises to register companies within 30 days, a process that carries certain investment incentives.

But in practice, this is likely to be an investor's first contact with his biggest headache, the bureaucracy. "The BOI is very helpful but other departments don't care about investors."

Mr Kapunan's History of Uniden's Finance Director, the Bureau of Customs epitomises the worst bureaucracy of more accurately, grant many businessmen say. "There's more than anywhere else in Asia or even in the Philippines," says Mr Kapunan. "Imported materials are to clear customs swiftly."

The BOI's incentives, which are designed to match what is on offer elsewhere in Asia and generally do, include a rate of tax holidays (up to eight years), duty exemptions and accelerated depreciation books. Under the 1987 Omnibus Investment Code incentives available to companies that create large numbers of jobs, transfer skills and technology, locate in least developed areas, increase exports or contribute to the future development of the economy, a catch-all that shows "pioneer" or "priority" status is negotiable, especially when the potential investment is large. Repatriation of dividends and capital is guaranteed and, with some short delays, works in practice.

By regional standards, office and housing costs in Manila are still cheap although prices have started to rise. An office in the heart of the Makati business district will cost up to 150 pesos (£4.50) per square metre per month, up 25 per cent from a year ago.

Home installation can be a problem, although on a typically ad hoc basis businesses can jump to the head of other's immediately long waiting lists. In some areas surprisingly close to Manila, Philippine Long Distance Telephone, which is virtually a monopoly, simply does not have sufficient or land line capacity and is unlikely to still it increases capital investment.

Housing costs are also leaping, with home rents in the smartest villages doubling in a year to \$2,000-24,000 a month. Further from Manila, but still within easy commuting distance, houses can be found for around \$800 a month. Security around these urban "villages" and the excellent international schools is tight but aimed at common lawlessness, as so far there has been almost no threat to expatriates from the country's Communist insurgents.

Despite the relative political calm, many Japanese manufacturing investors remain sceptical. It is undeniably still a touch unpredictable. Still, headlines, a cabinet-level Congress and a people who sometimes appear to thrive on crisis become commonplace to a resident businessman. His head office may not find it as easy to adjust.

## OBITUARY

# Hu Yaobang, Chinese reformer

HU YAOBANG, the former Chinese Communist Party leader who died of a heart attack in Peking on Saturday, was once the protégé of senior leader Deng Xiaoping and still a member of the party's powerful politburo. Reuter reports from Peking.

But he was ousted in January 1987, by party hardliners after a wave of student protests and was said to have enjoyed little real power in the politburo since then.

His liberal attitudes made him popular among foreign leaders and Chinese intellectuals but led to his downfall at the hands of party hardliners who accused him of allowing Western political ideas to spread unchecked.

He, a strong advocate of Deng's ambitious economic reforms, which have transformed life for most of China's 1.1bn people, became party leader in 1986.

He was one of China's first leaders to travel widely, taking the message of his country's new open-door policy to Japan, Australia, Western and Eastern Europe.

As with many of China's veterans, his political career suffered cycles of successes and defeats. A native of Hunan province, he joined Mao Tse-tung and his communist guerrillas on the epic Long March in 1934 and was later given political posts in the People's Liberation Army.

Large crowds of students yesterday mourned his death, pasting up hundreds of posters on Peking campuses calling for freedom and democracy.

# Korean poll bribery admitted

By Maggie Ford in Seoul

MR KIM Young Sam, one of South Korea's main opposition leaders, has been forced to make an apology over a bribery scandal disclosed during a parliamentary by-election.

The Secretary General of Mr Kim's Reunification Democratic Party has resigned after admitting he agreed to an offer by an opposing party's candidate to step down, in return for a payment of Won 150m (£133,000).

The candidate is now under arrest.

All four candidates in the by-election have been charged with breaking the election laws by trying to buy votes, holding illegal rallies and using banned campaigning methods, such as canvassing electors and distributing leaflets.

The by-election, held on Friday, was won by the candidate for the ruling Democratic Justice Party, but his victory may be declared invalid. The ruling party has admitted that the present election laws are so restrictive that it is almost impossible to hold a fair campaign and has called for their revision.

Mr Kim Young Sam said at the weekend that he knew nothing about the payment to the opposing candidate, who was standing for the New Democratic Republican Party led by Mr Kim Jong Pil.

The lesson from the case was that politics had to be cleaned up, he said.

The leader of the main opposition party, Mr Kim Dae Jung, yesterday called for a meeting of the three Kims to reunite and refocus the opposition on a

number of other serious political issues.

The Government has attracted strong criticism over the arrest of a senior professor, who was an adviser to a new liberal Seoul newspaper. The professor is being investigated for allegedly trying to arrange a visit to North Korea by the paper's journalists. Contact with the Communist North is banned under the national security law.

In the wake of an unauthorized trip to Pyongyang by the Rev Moon Il Hwan, a Protestant minister now under arrest, the Government has detained several more dissidents.

A spokesman denied, however, that the detention of the professor was the start of a crackdown on the press.

# Over 500 Swapo rebels 'move out of Namibia'

MORE than 500 Swapo guerrillas from northern Namibia have been moved to positions north of the 16th parallel in Angola under a week-old withdrawal agreement, the official Angolan news agency ANGOP said yesterday. Reuter reports from Luanda.

ANGOP quoted Angolan Defence Minister Colonel-General Pedro Maria Yomba as telling reporters in the southern city of Lubango on Saturday that fighters of the South West Africa People's Organisation were continuing to cross from Namibia.

But United Nations Under-Secretary General Marrack Gonding, who accompanied Gen Yomba on a tour of bases where the Swapo guerrillas were being confined, said in

Luanda on Saturday night: "We have not yet established how many have come back across the frontier."

A Swapo spokesman, meanwhile said at the weekend that the guerrillas would continue to bypass UN assembly points inside Namibia, all ringed by South African troops.

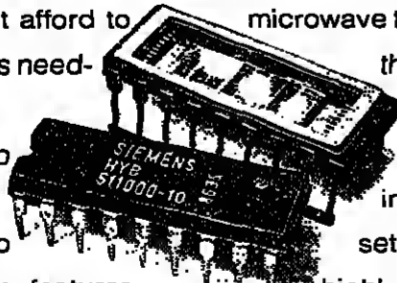
Mr Hildjo Hamutenya, the Swapo Information Secretary, claimed, after attending an anti-apartheid meeting in the Netherlands, that South African troops had killed 14 Swapo members in the past few days.

He said Swapo could easily meet the new deadline of April 21 for all of its guerrillas to be out of Namibia if South African forces were not patrolling the border and actively trying to intercept them.

# SIEMENS

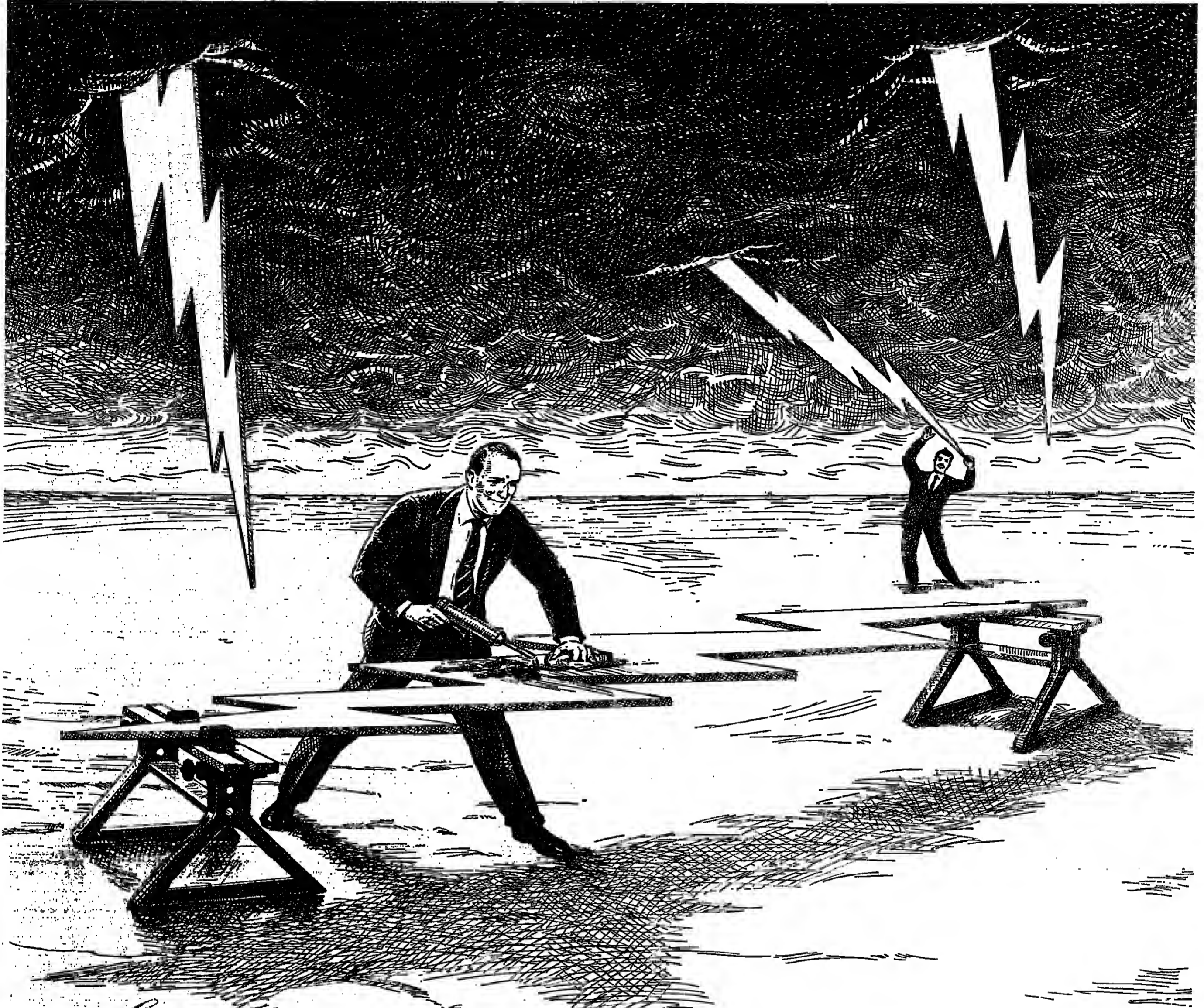
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OVERSEAS NEWS

New Iron Lady ventures onto EC's tax-setting battleground

David Buchan profiles a Commissioner who believes the current phase of intensive negotiations requires a fresh approach

TAX is one of the European Community's great battlegrounds. A European Commissioner needs a cast iron reason (and armour) to venture into an area where national governments guard their tax-setting prerogatives so jealously and where each can wield a veto to block any EC action.

receive from bank deposits and many of the bonds they hold. She is re-casting proposals on value added tax and excise duties to try to make them more palatable to governments. And, today, she will ask EC finance ministers meeting in Luxembourg to pass a package of three corporate tax directives, two of which date back to 1969.

her margin for manoeuvre is doubtful. But for the moment she is stressing the pragmatism she learnt in business (running a professional training company in France) and the knowledge of the European Community she gained through 10 years as a Euro-MP, to get progress.

Portugal zero-rates some items). None disputes that removing fiscal frontier checks might lead to trade distortions. But the UK argues that closer alignment of differing rates should be left to market forces, while most other countries now argue for Brussels-led action (each country, of course, putting the burden of adjustment on its neighbours) to put rates in even narrower bands than originally suggested by Lord Cockfield.



Mrs Scrivener, solving problems governments care to adopt. Another working group, this time inside the Council of Ministers, is studying which goods might end up in which VAT rate band. In addition, Mrs Scrivener says special arrangements will have to be made for mail order goods and, maybe, for high-value, mobile goods like cars.

ner suggests that excise rates might be approximated by region, so that they would not differ greatly between adjacent EC cities. Excise rates might also be put on bottles and cartons to deter cross-border purchases of such items. Capital savings tax. Uniquely, in this sector, EC governments have set a decision deadline of June 30 1989, linked to the commitment for most of them to lift all capital controls exactly a year later.



cles are not opposed to the principle of a withholding tax, which is a formula that is modern, efficient and capable of being extended to third countries. These two leading financial centres, she says with a touch of judicial flattery, are quite strong enough to shoulder a withholding tax and remain highly competitive.

designed to avoid double taxation of dividends paid from a subsidiary in one member state to a parent company in another member state, to share tax on the assets of a company in one member state being merged with a company in another EC state, and to arrange arbitrations between national tax authorities on disagreements arising from transfer pricing practices within multinational companies.

OBITUARY: ALBERT BONNIER JR

Patriarch of Swedish publishing groups

MR Albert Bonnier Jr, the great patriarch of Swedish publishing and the head of one of Sweden's wealthiest Jewish dynasties, has died at the age of 81 after a short illness.

the daily Dagens Nyheter and the evening tabloid Expressen, both of which are liberal in their political outlook.

big circulation weekly magazines, many of which reached a wide audience of Swedish housewives.

media for his own purposes. At a breakfast meeting with journalists last autumn, he made a sufficiently scathing attack on Mr Jan Wallander, the chairman of the Mariefberg board, to prompt his resignation.

Fresh effort to raise finance for Paris daily

MR Gerald Long, the former chief executive of Reuters, the international information group, is making renewed efforts to raise finance for a new quality daily newspaper in Paris.

Call to develop world tourism

SENIOR executives from American Express and 16 other leading multinational companies involved in international travel have called on Western governments to give higher priority to developing the world's travel and tourism industries.

The doors of Beijing's other legendary Palace are now open.

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Scandal shakes Bordeaux wines

THE famous claret wine growing region of Bordeaux has been shaken by a new scandal involving the sale of second-rate wines under some of the most prestigious labels of the region such as Chateau Margaux or Chateau Petrus.

SHIPPING REPORT Big increase in tanker inquiries

THE volume of both inquiries and fixtures in the spot market for the bigger ships increased markedly last week, but rates for most voyages failed to improve because of a surplus of available tonnage.

Bids close today for 55% holding in Jerusalem Post

BIDS for the 55 per cent holding in the Jerusalem Post newspaper held by IIC, an investment subsidiary of Israel's troubled Koor Industries, close today, and senior staff at the newspaper say that in recent months more than a dozen parties have expressed interest in gaining control.

WORLD ECONOMIC INDICATORS

Table with columns for UNEMPLOYMENT and various economic indicators for different countries and months.

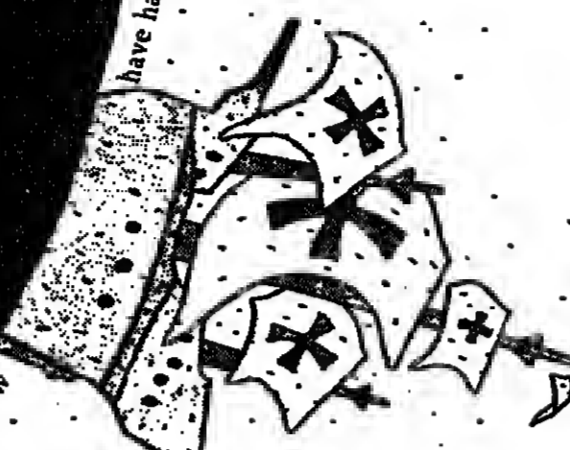
Advertisement for FOLLETT PORSCHE cars, listing various models and prices, with contact information for SUNDAY TEL: 0860 226677.

Handwritten signature 'Jolly Lito' at the bottom of the page.

Edward Heath's decision to take us into the EEC means that today, instead of wars over the Alps, we merely have battles over the butter mountain.

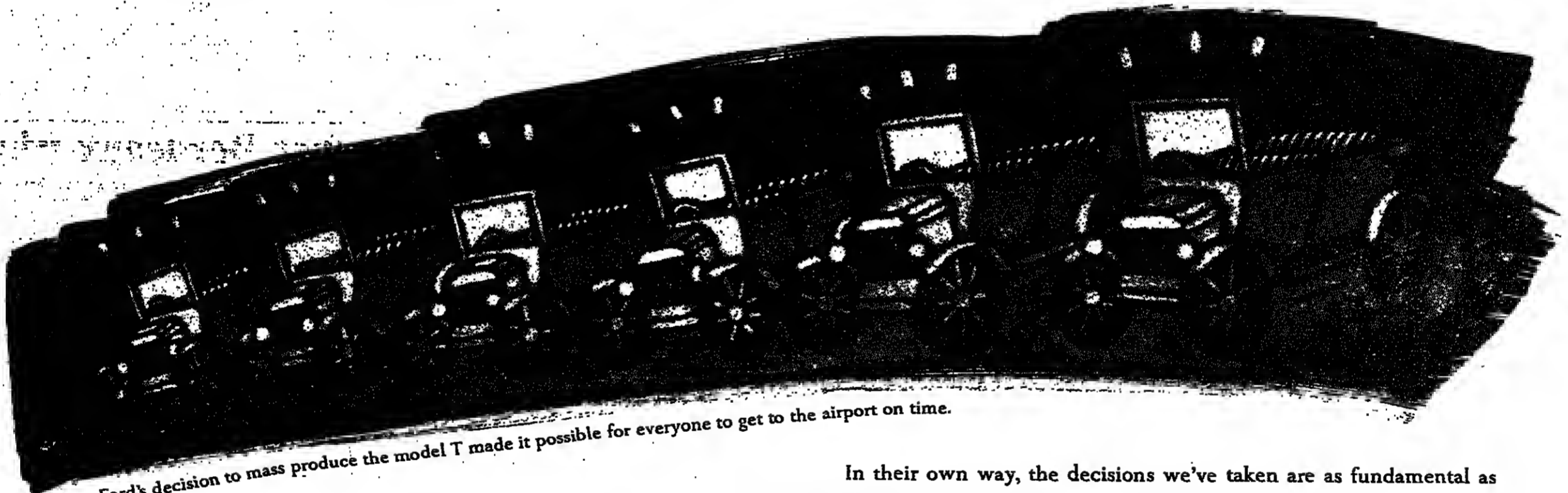


have hamburgers, colas and soap operas



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UK NEWS

CBI/FT survey into consumer spending trends
UK retail sales rebound

By Ralph Atkins, Economics Staff

GROWTH in UK retail sales rebounded last month and was above retailers' expectations, according to a survey published today.
The results of the Confederation of British Industry/Financial Times distributive trades survey suggest the widely expected slowdown in consumer spending might not be as swift as previously thought.

the same time orders placed by wholesalers and motor traders were weak.
Out of 268 retailers replying to the survey, 55 per cent said sales volumes in March were higher than the corresponding period a year before and 21 per cent said they were lower.

nesting is now over. While interest rates remain high, consumers' spending power will be squeezed," he said.
Later today the Department of Trade and Industry will publish provisional estimates of retail sales volumes in March. These have often appeared to conflict with the CBI/FT survey although the underlying trends shown by each have been broadly similar.

Reforms rejected by family doctors

By Alan Pitts, Social Affairs Correspondent

THE Government's isolation from the medical profession over its health services reforms intensified at the weekend when the Royal College of General Practitioners overwhelmingly rejected the proposals.
A meeting of the royal college's 60-strong council adopted a resolution declaring that "the college rejects the proposals for 'Working for Patients' with only a single vote against. Leaders of the college will today amplify fears expressed by their members that the White Paper (policy document), proposals would have an adverse effect on patient care and doctor-patient relationships.

Threat of national dock strike grows

By Fiona Thompson, Labour Staff

THE PROSPECT of a national docks strike grew yesterday as port employers reiterated their opposition to any form of negotiation over replacing the dock labour scheme.
Mr Ron Todd, general secretary of the Transport and General Workers' Union, is to meet tomorrow morning with Mr Nicholas Finney, director of the National Association of Port Employers. However, Nape insists the meeting is purely to listen to Mr Todd and to negotiate.

Inquiry into media law may be headed by Press Council

By Fiona Thompson, Labour Staff

THE Press Council may be asked to organise an inquiry into the state of media law in the UK in an effort to head off private members' legislation on the press.
Mr Louis Blom-Cooper, the new chairman of the Press Council, the body funded by the newspaper industry to investigate complaints, has been asked to lead an inquiry into the state of media law in the UK. Mr Douglas Hurd, the Home Secretary, has been asked to set up a non-governmental inquiry under the aegis of the Press Council or instead institute a departmental inquiry to look at a wide range of press law issues including concentration of ownership in the media.

bers bill, which it believes is impractical, does not pass but because of the strength of support on the back benches and the fact that press excesses are seen as a real problem it does not feel able to put on the whips to ensure its defeat.
The idea of an inquiry into the current state of press law came from Mr Blom-Cooper when the Home Secretary said he had to have something more substantial to offer parliament than a planned reorganisation of the press council. Meanwhile introducing his first annual report as chairman of the Press Council, Mr Blom-Cooper, while warning against too much reliance on the personal power of the council chairman, calls for a concerted effort to avert right of reply legislation. The Press Council chairman is, however, not personally opposed in principle to a legal right of privacy.
Press and the People is available from the Press Council, No 1, St Andrew's Place, London EC4Y 3AE at £5 plus 60p postage.

The scale of the college's rejection of the proposals is therefore a serious blow for Mr Kenneth Clarke, Health Secretary, and his colleagues. It casts doubt on Government suspicions that much of the opposition to the White Paper among GPs has been inspired by activists in the BMA leadership.
Mr Clarke is fighting on two overlapping fronts with the GPs, trying to persuade them to accept the proposals and agree "work for patients" contracts. The issues coincide because some of the points in the contract negotiations - like proposals to make GPs' salaries more performance-related and linked to the number of patients on their lists - reflect the thrust of the proposals.
On April 27, a special conference of the BMA's general medical services committee, which represents GPs, will consider both the White Paper and the contract negotiations. The agenda is dominated by motions opposing the reforms. A number of motions call for sanctions - including mass resignations from the NHS - if Mr Clarke tries to impose his new contract without agreement.

Settlement in sight in lecturers' dispute

By David Thomas

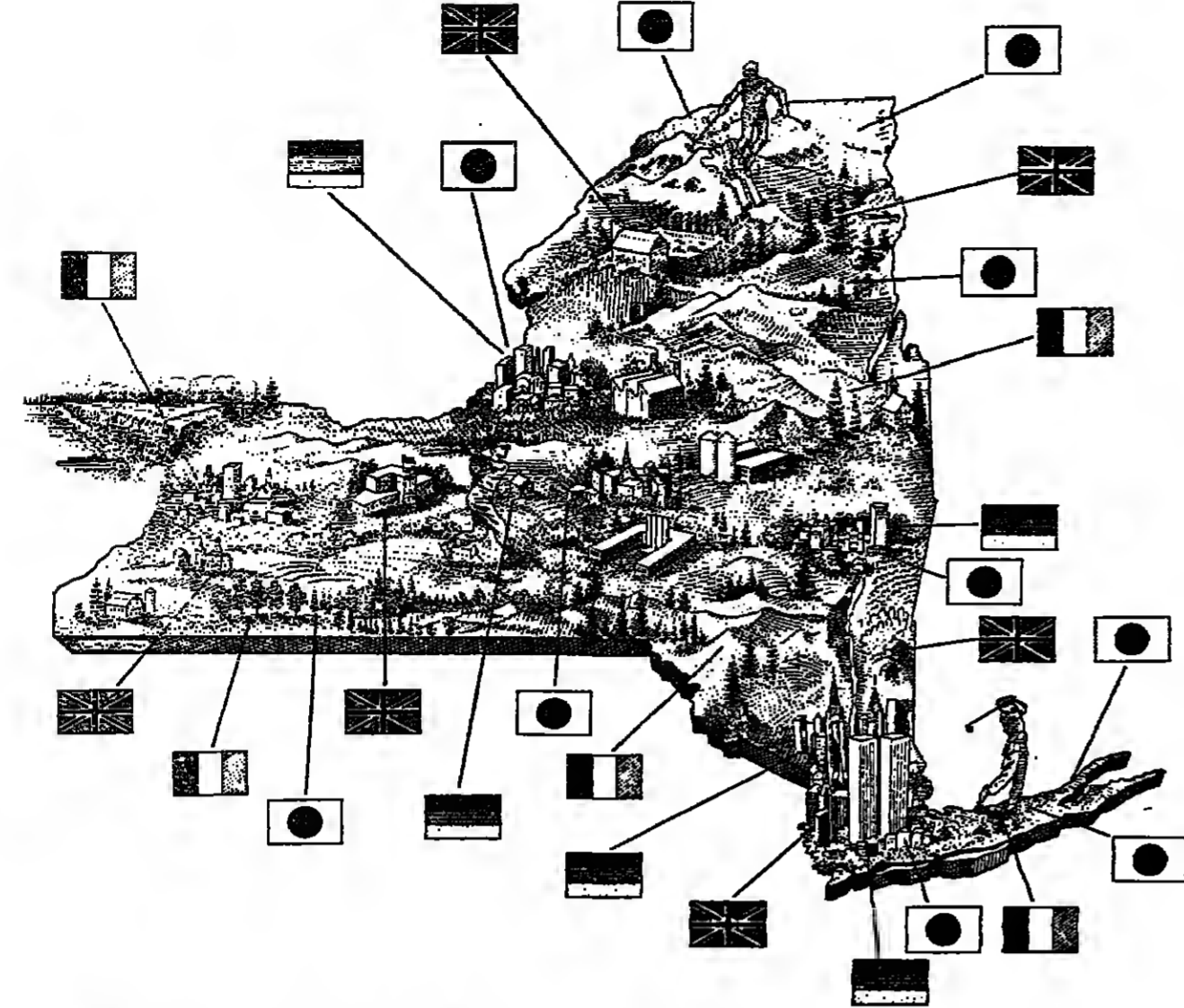
THE THREAT to this year's university examinations eased considerably at the weekend, as the lecturers' union decided to scale down its exam boycott and said that limited concessions from the employers would lead to a settlement.
Members of the Association of University Teachers, engaged in an increasingly bitter exam boycott, voted narrowly to reject the latest pay offer from the Committee of Vice Chancellors and Principals.
However, the union's executive also decided to recommend to its governing council on Saturday that exams due to be set this summer should be set but not marked.
Ms Diana Warwick, the union's general secretary, explained yesterday that the executive was responding to concern about the boycott expressed by the National Union of Students and by many lecturers.
Ms Warwick denied the easing of the boycott meant that lecturers were not prepared to press on with the dispute.
Sir Mark Richmond, chairman of the Vice Chancellors' committee, welcomed the easing of the action, but added: "Unfortunately, however, it does nothing to resolve the dispute."
The Vice Chancellors have stressed that they have no more money for an increased offer. The Government has said it will release extra funding only once the union calls off its action.

Report outlines plans for UK's largest trade union

By Michael Smith, Labour Staff

A MERGER between the local government unions, Napsu and Naigo, would create "the largest, best-resourced and potentially strongest union of its kind in Western Europe," according to a report drawn up by senior officials.
The document warns, however, that careful thought will need to be given to potential difficulties. These could arise from friction between memberships at local level and differences between the two unions' political views.
Both unions will present the report to their annual conferences this summer.
It proposes to intensify discussions with a view to producing a White Paper, or consultation document, on the merger, which the two unions' conferences could debate in the summer of 1990.
Combining Naigo, which has 740,000 members, and the 640,000-strong Napsu would create Britain's largest union.
There is also the possibility that Cohse, the health service union, would want to join an enlarged public services union. It has held back so far, however, from joining the discussions.
Other alliances being considered are between the TGWU general workers' union and the National Union of Mine Workers, and between the AEU engineering union and the KEFPU electricians' union.
The Napsu-Naigo paper points to the similarities between the two unions - both have a growing female membership, often share employers, and "face identical attacks". The paper also stresses the need for unity.
It calls for better information to minimise friction between the two memberships. "Understandably, the members of each union hold opinions about the chief characteristics of the other union's members, which often owe more to myth and stereotype than they do to reality," the report says.

If, however, the conference ends with no new initiative to speed up the pace of progress in negotiations between the Department of Health and the BMA Mr Clarke is likely to be forced into an early decision on proposed contract terms.
All members of the BMA will this week receive a special report from its ruling council setting out its position.
The report says that, in view of Mr Clarke's determination to introduce his proposals without adequate time for consultation, pilot studies or evaluation, the BMA will "continue to devote resources to inform the public and Members of Parliament of the damage which will be done to the National Health Service."



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A form for requesting more information from the New York State Department of Economic Development, including fields for Name, Title, Company, Address, Postcode, and Telephone.

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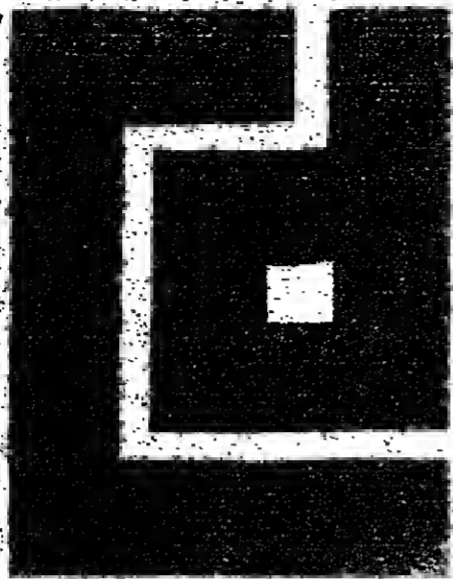
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BT unions gain members
By Fiona Thompson, Labour Staff
UNION membership among senior staff at British Telecom, has increased by 17 per cent since January 1 because of opposition to management plans to introduce personal contracts, the Society of Telecom Executives said yesterday.

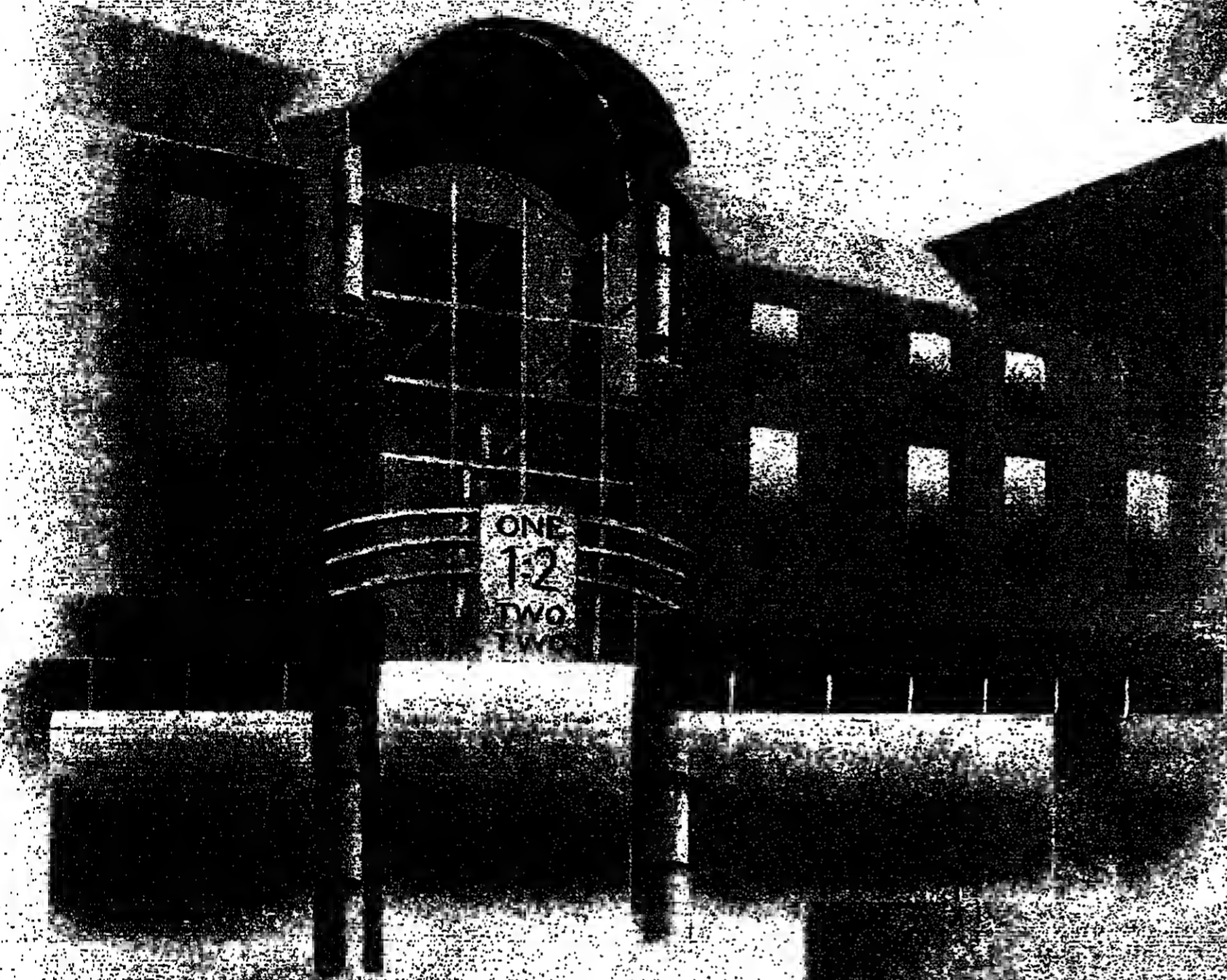
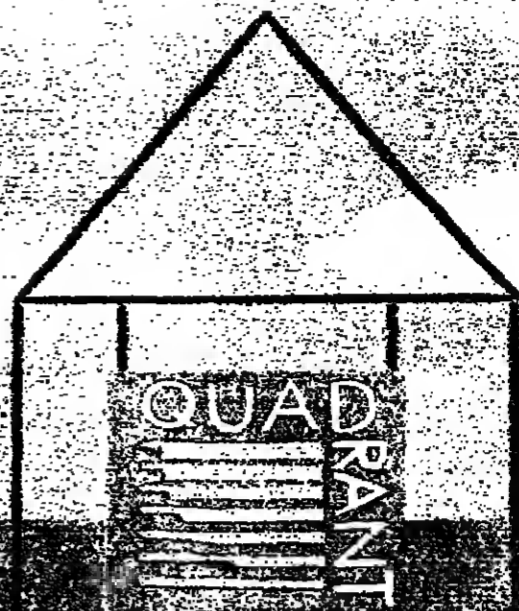
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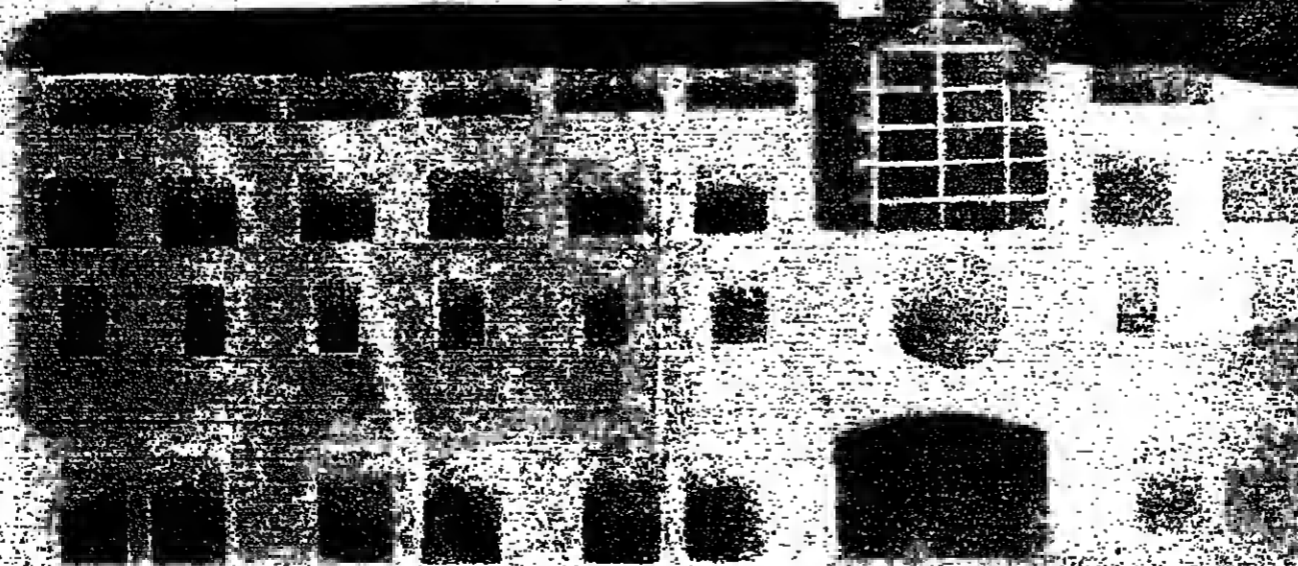


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## UK NEWS

## Ofgas director is 'worried' by rising trend in gas price

By Maurice Samuelson

HOUSEHOLD gas prices have been rising in Britain at a time when they have been falling in other European countries. Nevertheless British prices remain at the low end of the scale.

This emerges from a study of gas tariffs in Britain and five continental countries published yesterday by the Office of Gas Supply (Ofgas), the gas industry's statutory watchdog body.

It compares British tariffs with those in Belgium, France, Italy, the Netherlands and West Germany.

However, British Gas and Ofgas disagree over how to interpret the report, prepared for Ofgas by Energy Advice, an independent consultancy.

Mr James McKinnon, the Ofgas director, said the report revealed a "worrying trend" in British prices which in recent years were "out of line" with those on the Continent.

But British Gas said the report as a whole showed British customers were getting "a very good deal" and accused Mr McKinnon of highlighting just one of the report's 16 conclusions.

In his introduction to the

report, Mr McKinnon noted that Britain's consumers paid less for their gas than people in most other countries except the Netherlands.

Since 1985, domestic gas prices had fallen in four of the six countries surveyed.

In Britain, however, where gas is currently exempt from value added tax, the price had gone up. It also rose in Italy, but that was caused by higher consumer taxes and VAT.

Comparing July 1988 prices without VAT, the report says the Netherlands and Britain had the lowest and second lowest levels, at 39.2p and 42.8p a therm respectively.

However, by October 1988, while the Netherlands price had fallen to 33.5p, Britain's had risen to 43.5p. That put the Netherlands at the bottom of the price ladder and Britain third from the top.

Over the same period the price per therm rose in Italy and Britain by 3.2 per cent and 1.9 per cent respectively; in the other countries there were price reductions of between 15.1 per cent and 26 per cent.

"It will be interesting to follow these into the future," Mr McKinnon says.

British Gas, however, said comparisons based on a single year had to be put in context. During the period in question oil prices, to which continental gas prices were closely linked, had fallen to very low levels.

The survey also omitted gas price movements in countries such as Denmark, Spain and Ireland, whose inclusion would have given a different picture of Britain's relative performance.

Among its other conclusions, the report says:

- British consumers pay lower prices at almost all levels of domestic gas use than in Belgium, France and Italy once VAT is added in those countries.

- However, even with VAT, domestic gas prices in the Netherlands and parts of West Germany are lower than in Britain.

- Gas as a proportion of energy consumption in the domestic market now varies from 19 per cent in France to 83 per cent in the Netherlands and 61 per cent in Britain.

The EEC Domestic Gas Market: free from Ofgas, Southside, 105 Victoria Street, London SW1E 6QT.

## Fall in sales hits plans for building new homes

By Andrew Taylor, Construction Correspondent

RETURNS from more than 25,000 British householders last month revealed a steep fall in plans to build new homes. Builders have been hit by sharply falling sales in southern England during the first few months of this year.

The returns made to the National House-Building Council provide the strongest evidence yet of how increased interest rates have hit spending on house purchases.

Builders must register homes with the council before they can qualify for a building society or bank mortgage. More than 90 per cent of homes built in Britain are registered with the council.

Registration applications are usually made before building begins and provide the most up-to-date guide of builders' intentions and the state of the new housing market.

Last month builders applied to register 15,200 new homes, 28 per cent fewer than in March 1988. However, this year Easter fell in March, which may account for some of the decline. In February the council received 18,200 applications, 10 per cent fewer than in February 1988.

The number of applications received during the first quarter of this year was 12 per cent lower than during the first quarter of 1988.

Leading housebuilders, such as Barratt, Taylor Woodrow and John Mowlem, say house sales in southern England were 20 per cent to 30 per cent lower during the first three months of this year compared with the first quarter of 1988.

Halifax, Britain's biggest building society, last week reported that average house prices had fallen by up to 1 per cent in southern England since the end of last year.

House prices in northern England, where builders say sales have remained strong, had risen by 3.5 per cent since December. Halifax, however, expected the slowdown in the housing market, already affecting large parts of the Midlands, would spread to the north by the end of the year.

## Legal nightmare looms for editors

Raymond Snoddy looks at fears surrounding the Right to Reply Bill

MR MAX Hastings, editor of The Daily Telegraph, writes about politicians but he never writes to them - at least not en masse.

Today he will break the habit of a lifetime and deliver to all MPs a personal letter on Telegraph notepaper expressing "the deepest concern and alarm" about Mr Tony Worthington's Right to Reply Bill, which is due to receive its third reading in the House of Commons on Friday.

The Telegraph editor concedes that he understands fully the feelings of impatience on the part of MPs and the public about the excesses of some newspapers.

The danger, however, Mr Hastings believes, is that the bill, which provides for a statutory right of reply correcting factual inaccuracies following an adjudication by a new Press Commission, would cause greater difficulties to "respectable and responsible journalism" than to "irresponsible and disreputable journalism."

Broadsheet newspapers simply contain more "facts," many of them of a contentious nature or capable of being contested.

"However eager some people may be to strike a blow against reckless journalistic practices, which we all deplore, this measure would create a legal nightmare, and do great damage to all forms of journalism in this country," Mr Hastings will tell MPs.

Mr Worthington, the Labour MP for Clydebank and Milngavie, exudes exasperation when faced with the fears of broadsheet editors and the newspaper industry in general.

Ten or even five years ago, he says, he would not have dreamed of introducing such a



Louis Bloom-Cooper: opposed to bill

bill. Now he believes the need for it is almost self-evident.

A few months ago he might have been prepared to withdraw if offered cast-iron guarantees that newspaper proprietors would reform themselves, although he regards such a possibility as being so inherently implausible as scarcely to merit consideration. Now, he says simply, things "have gone too far."

The steady stream of letters of support from members of the public, he says, do not express worries about such concepts as theoretical threats to press freedoms. The issue, Mr Worthington feels, is much more basic than that. The rich can go to law to defend their reputations against press attacks.

"There has to be some redress for citizens without means," Mr Worthington emphasises.

He is scathing about opponents such as the Guild of Newspaper Editors. If they

really cared about their profession, they should have done something much earlier to protect its standards and reputation.

The Press Council, he argues, is flawed because it is financed by the press and it "doesn't go out and stop things happening," rather than adjudicating on abuses weeks or months after the event.

Mr Hastings' misgivings about the bill are shared by Sir Geoffrey Owen, editor of the Financial Times.

Sir Geoffrey said: "We have established procedures for correcting factual errors, but there are many cases where the facts are disputed. We feel the bill poses very great practical problems and it is not at all clear how the proposed statutory right of reply would relate to existing law."

Mr Worthington responds that, if the Financial Times overstates the certainty of its "facts," it should be clobbered like everybody else.

Newspaper lawyers have, however, raised a number of serious questions about the bill.

"How will it fit in with existing defamation law? If a Press Commission ordered a reply, could it be considered defamatory of the newspaper's original source and could this lead to further rights of reply?"

The bill does not provide for absolute or qualified privilege defences that would apply in defamation cases. Does this mean that a newspaper might have to consider publication of a correction of a fair and accurate report of a minister's statement in the House of Commons?

Lawyers also point to the fact that there is no definition in the bill of what should be considered "a factual inaccu-

racy" and that there is no right of appeal, other than applying for a judicial review on procedural grounds.

Mr Louis Bloom-Cooper QC, chairman of the Press Council, is implacably opposed to a statutory right of reply, although he is sympathetic to the idea that there should be a legal right to sue for invasion of privacy.

A right of reply on factual inaccuracy by those directly affected would, he argues, have a very limited effect - involving perhaps 10 per cent to 15 per cent of the cases now coming before the Press Council - yet it would involve increased government intervention in the press through the ability to appoint members to a Press Commission.

The Government's position is ambiguous - emphatically opposed to press excesses, yet reluctant to surrender the principle of self-regulation happily espoused in other areas.

On Tuesday, when asked about the Right to Reply Bill during Prime Minister's Question Time, Mrs Thatcher said a private member's bill should be left to private members.

"Whatever view is taken (of the bill), it indicates that there is great concern about some of the things that we see in the press today. We may not have the right answer, but we cannot ignore the concern," Mrs Thatcher said.

Mr Worthington clearly has widespread cross-party support for his measure, but how great are his chances of success?

"The support is there, but with private members' bills, all the odds are in favour of the filibusters," he said. "It depends on whether the Speaker gives me a fair chance and doesn't call too many amendments."

## Complex insider dealing rules make trading 'very difficult'

By Raymond Hughes, Law Courts Correspondent

MANY PEOPLE are confused about what constitutes insider dealing and why it should be condemned, the City law firm Norton Rose says.

In a booklet published last week it says an allegation of insider dealing can be serious if it results in investors losing confidence in the management of a business.

The booklet identifies where risks of insider dealing arise and shows how to avoid breaking the rules.

It looks at laws and regulations covering the subject, including the 1985 Company Securities (Insider Dealing) Act, the Financial Services Act, civil liability and regulatory codes, the common law, SRO rules, the Stock Exchange

Model Code and the City take-over code.

It concludes that "the range of regulatory codes and sanctions relating to insider dealing, and uncertainty as to what will constitute an illegal or prohibited transaction, make it very difficult for businesses and their directors to trade in securities with confidence."

The problem is exacerbated, Norton Rose says, by the high public profile given to insider dealing allegations.

The booklet includes a warning about Chinese walls. They can, it says, reduce the opportunities for insider dealing and provide a defence against claims under SRO conduct of business rules for failure to give suitable advice, where

unpublished price-sensitive information was not used or relied upon.

However, "it cannot be assumed that Chinese walls will provide a defence to a common law action for breach of fiduciary duty."

Norton Rose points out that since multi-service financial organisations owe a fiduciary responsibility to their clients, there are occasions when the failure, through the presence of Chinese walls, of one section of an organisation to communicate with another section may breach the common law relating to that responsibility.

*Insider Dealing*, Norton Rose, Kempton House, PO Box 570, Cannonville Street, London EC3A 7AN, free of charge.

## Sky Television sheds half its advertising sales staff

By Raymond Snoddy

MR RUPERT Murdoch's Sky Television has shed almost half of its advertising sales staff because it has decided that the volume of work does not justify a department of about two dozen people.

Eleven people were invited to resign last week, although the satellite television company, which launched four

channels in February, says the decision does not reflect disappointment with Sky's advertising performance so far.

More than 120 companies have advertised on the Sky channels. The company declines to say how much it has earned from advertising.

Ms Pat Mastandrea, joint managing director and chief

operating officer of Sky Television, who used to work at Mr Murdoch's Fox Television in the US, decided there were too many people for the size of the job.

The cut also reflects a pulling back from continental Europe and a greater concentration on the UK market.

Sky is also looking for a new

director of advertising sales - a position vacant for several months.

Last year Mr Murdoch promised that Sky would undercut TTV's advertising rates per 1,000 viewers by at least 25 per cent. That promise has now been withdrawn and Sky has been trying to "harden" its rates.

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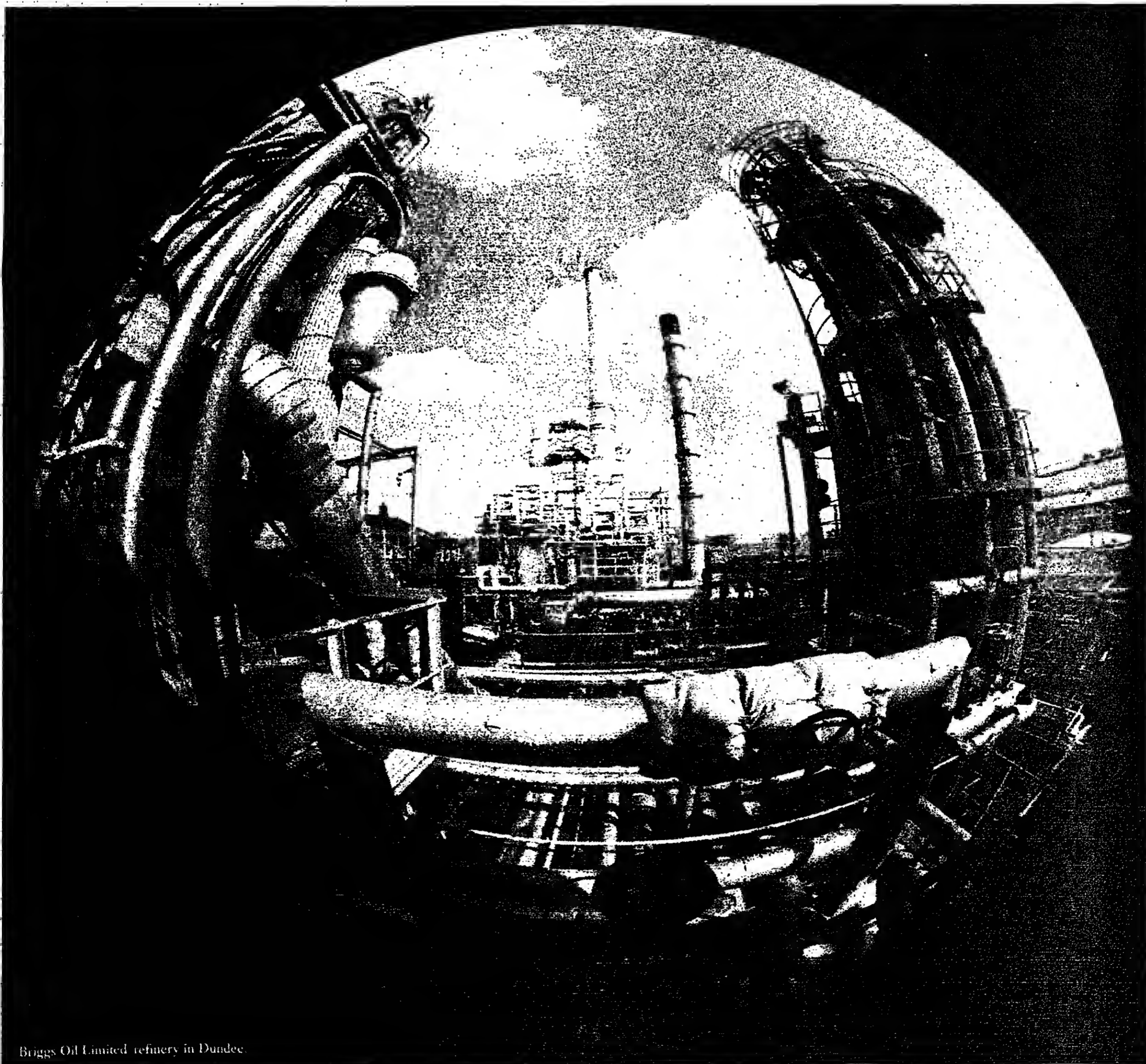
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UK NEWS

Institute may bring access to Japanese research data

By James Buxton, Scottish Correspondent

BRITISH scientists are expected to get access to Japanese high technology research through the Institute for Japanese-European Technology Studies (JETS) being set up in Edinburgh.

The Institute, believed to be the first of its kind in Europe, will exchange British and Japanese technology data and send British scientists to work in Japanese companies.

with that being done in Japan, especially in the fields of artificial intelligence, artificial speech technology and software technology on which Edinburgh concentrates.

'New era of competition' predicted for schools

By David Thomas, Education Correspondent

SCHOOLS are set to become part of the market economy to a greater extent than ever before, the general secretary of the main head teachers' association said yesterday.

CBI/FT DISTRIBUTIVE TRADES SURVEY Retailers expect more sales growth

By Ralph Atkins, Economics Staff

SIGNS that growth in retail sales remains robust and slowing only gently come in the Confederation of British Industry/Financial Times distributive trades survey published today.

Sluggish growth in sales in February rebounded in March and retailers are confident about steady growth in April, the survey shows.

The latest results follow three consecutive monthly surveys in which retail sales growth has been shown as easing.

For April, a balance of +24 per cent expect to increase sales. During March, motor traders placed a lower volume of orders on suppliers than in the corresponding period a year before.

Wholesalers of durable household goods, machinery and office equipment, clothing, textiles and footwear were among those saying sales were lower than a year earlier.

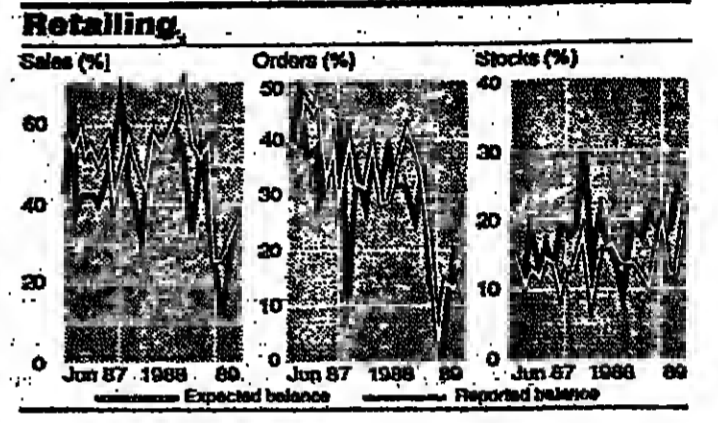
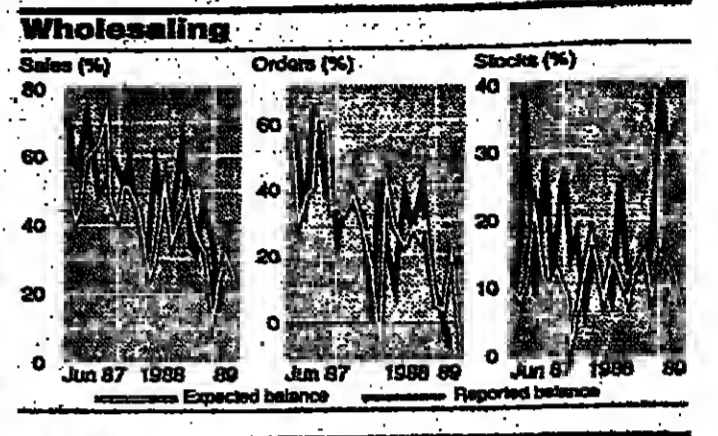
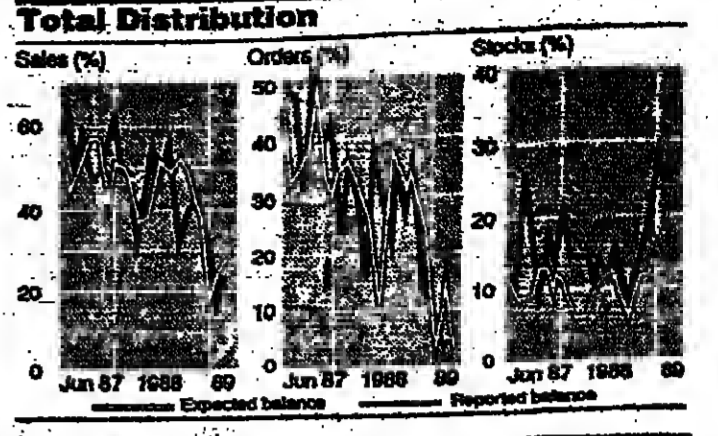
placed on suppliers in March, the survey shows. That followed no growth in February. Retailers expect growth in orders to continue in April.

Retailers said stocks were built up in March, against expectations, but are expected to be run down a little in April.

Out of the 54 motor traders covered in the survey, 24 per cent said sales in March were higher than the corresponding month a year before and 37 per cent said they were lower.

That gave a balance of -13 per cent compared with +6 per cent in February.

For April, a balance of +4 per cent expect to increase sales. During March, motor traders placed a lower volume of orders on suppliers than in the corresponding period a year before.



Monsanto backs Oxford unit

By David Fishlock, Science Editor

G.D. SEARLE, the Monsanto subsidiary specialising in pharmaceuticals, is providing £2.9m towards the cost of building Oxford University's Glycobiology Institute, part of its biotechnology department.

focused on unique defects in sugars on glycoproteins that may be associated with several diseases, such as rheumatoid arthritis, tuberculosis, cancer and Aids. He has, for example, developed a blood sugar test which can identify arthritis in children.

Mr Hart warned that schools which failed to compete could go to the wall. However, he also went unusually far for a teachers' representative in urging the teaching profession to respond positively to the reforms.

Code would include ban on estate agents

By Paul Cheeseright

ESTATE agents who mislead the public and fail to disclose any personal interest in a property they are selling could be banned from trading under a new code which the industry has drawn up.

Mr Eric Forth, the minister in charge of consumer affairs at the Department of Trade and Industry, will soon decide whether this code should be given statutory backing through an amendment to the Estate Agents Act 1979.

The Government accepts the need for such a code to be enforced. But it may feel there is already sufficient power in the already existing power with the Office of Fair Trading (OFT) which can prohibit from trading those deemed unfit for estate agency work.

National Savings funds down

By Paul Cheeseright

INVESTORS have continued to withdraw funds from National Savings, the state-owned organisation traditionally used by the Government to borrow money from small savers.

Only £83.6m was invested but capital and accrued interest repayments came to £207.8m.

Declaring commissions 'is no threat to advisers'

By Eric Short

FEBRS that many independent financial advisers will become tied agents if they have to declare commission from each sale are groundless, the Consumers' Association claims.

Investments Board (SIB). The board's proposals envisage investors being informed by the life company or unit trust group of the commission paid to an independent adviser within 14 days of a sale.

A survey by the association of 209 independent advisers found that only 4 per cent would definitely change to tied status if commission had to be disclosed at the time of sale.

The survey showed the main reasons for independent advisers switching to being tied agents were the regulatory costs involved in remaining independent.

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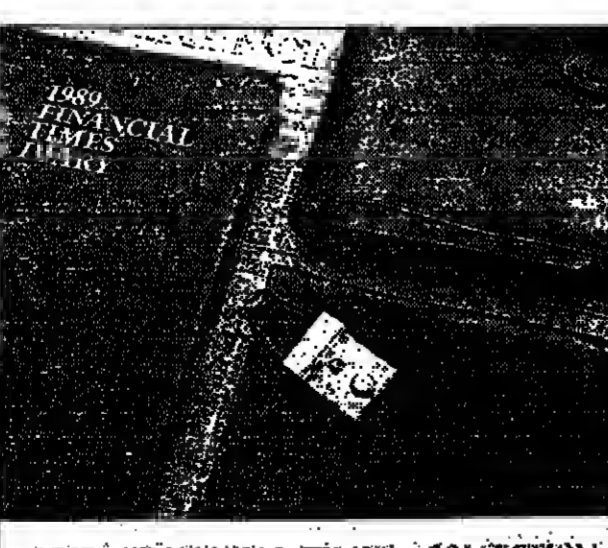
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# FINANCIAL TIMES SURVEY



The industrial profile of South Wales is changing. Coal and steel are being displaced by a wide

diversity of manufacturing and high-tech companies attracted by a good local workforce, regional aid and efficient communications.

writes Anthony Moreton

## Confounding the sceptics

TWENTY MILES south of Merthyr Tydfil, alongside the M4 motorway, the Miskin Manor hotel at Llantrisant earlier this year won the Most Civilised Restaurant of the Year award in a competition sponsored by a sherry concert.

At the entrance to Merthyr, opposite the giant Hoover factory which produces all the US company's washing machines and dishwashers in Europe, work has started on the Welsh Development Agency's latest property venture in the town, a business park.

The park will contain offices and small factory units that should be ready for occupation this time next year. Across the road from both Hoover and the business park is what is claimed to be the longest dry-ski run in Britain.

The combination of first-class restaurant, business park and a major tourist venue is far removed from the common perception of South Wales.

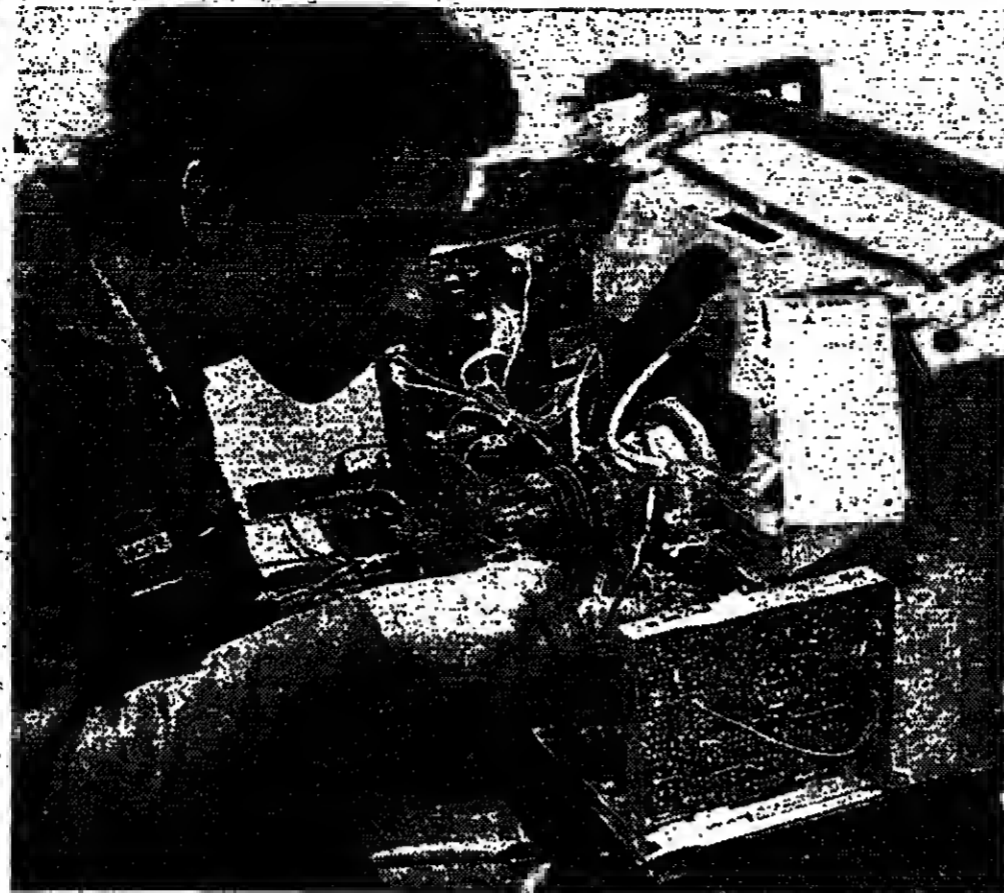
To those whose acquaintance is confined to armchair reading of Richard Lewis's *How Green is My Valley*, South Wales is probably still a place of dark satanic pits, Hoover, the ski run and the business park in Merthyr Tydfil, the largest town in Mid Glamor-

gan, and the hotel in Llantrisant prove that conceptions are frequently misconceptions.

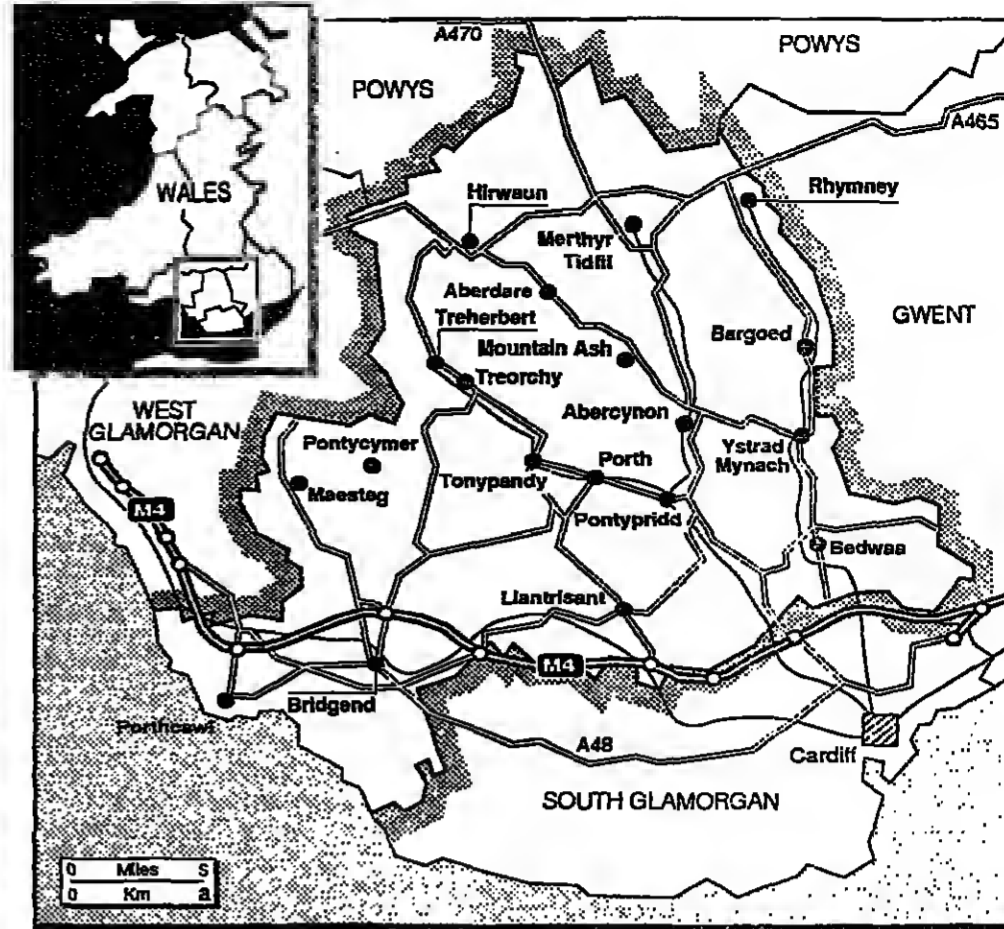
Once, the county was the home of heavy industry. Coal and steel dominated the landscape as much as the economy, but those days have long since gone. Steel has entirely disappeared with the closure of the Dowlais works and while the county still has six pits (out of a total of only nine in South Wales) employing 3,500 men the days when coal and steel reigned, when the miners of Merthyr erected an arch built from slabs of coal over the road to welcome the king, are now far off.

In their place has come a wide variety of modern industries. Some of them have been founded and built by local people, disproving the theory that Welshmen make good employees but poor employers.

More recently a host of companies have moved in, attracted by the Welsh Development Agency's (WDA's) modern factories, by regional assistance, by a good labour force or the easy communications with their main markets. One such company is Bluebird Toys, which late last year took a giant factory in Merthyr for the production of a variety of



Worker at Sony's television manufacturing plant at Bridgend



# MID GLAMORGAN

toys. Bluebird has already begun recruiting labour and when fully commissioned should be employing more than 600 in the town.

The 26m Bluebird is investing in Merthyr is small beer by comparison with the 2750m Ford is putting into its engine plant at Bridgend and its components factory at Swansea. Or to the expansion Race Electronics is making at Talbot Green and Aberdare which will add more than 1,100 jobs to its payroll. But all are indicative of the way the economy is changing, moving towards a diversified cross-section of concerns and away from dependence on a small number of heavy industries.

Evidence of the attraction of this part of South Wales comes from Mr Tony Williamson, managing director of Hoover, which moved its European headquarters from Parvane in west London to Merthyr last year.

"We had to offer some inducements to people to leave London," he says, "but they have already discovered the whole quality of life is so much better here that we would now

have to offer them an inducement to leave if we were ever to move from Merthyr."

Hoover, which employs some 2,250 in Merthyr, is, in fact, hoping to announce new investment at its plant before the end of the year. Nor is it just a matter of quality of living. Mr Bernard Clutter, managing director of British Airways' engine overhaul plant, which employs more than 900 people at Nantgarw, says that, commercially, the company is in no way disadvantaged through being outside Cardiff.

"We are operating in an internationally competitive market and we also undertake work for Middle Eastern, Far Eastern and some US airlines. And we hope to win more orders in the US. The quality of the staff we have, and what we can recruit locally, means we are in a very good position to win further orders."

Mid Glamorgan is Wales' most industrialised county, yet it is a curious mix of industry and agriculture, valley and sea-shore, wealth and poverty. It has a narrow coastal strip which includes the once-fash-

ionable Porthcawl that has become something of a dormitory town for Cardiff. Behind the coast is rich farming country and industry only starts to become really apparent north of the M4 motorway.

A band of land around the motorway has become a magnet for new industry. Ford is the most obvious example but Sony, which has become one of the largest employers in the county, is another. Race Electronics is to be found in this area together with high-tech, beauty product and plastics companies.

The valleys, which are contiguous with much of the South Wales coalfield, are not easy places in which to site large-scale industry because of the shortage of flat land. However, they contain in AB Electronics at Abercynon one of the most important companies in Britain in advanced electronics as well as companies in such diversified sectors as watches, Christmas decorations and general engineering.

Arrival or expansion by these companies, which have had a good growth record over

the past five years, has helped to mitigate the very severe effects of the depression of 1979-84. Mid Glamorgan lost 33,000 jobs in those years, most of them for men, and the rate of decline in employment was greater than that for Wales as a whole and far greater than the British figure.

A large part of the loss in the county arose from the virtual collapse of electrical engineering, mechanical engineering, metal production and clothing and severe losses in coal which gathered pace after the end in 1985 of the year-long miners' strike. In Merthyr the loss of manufacturing jobs was as much as a third. An inflow of new or expanded industries is therefore not only still needed if the county is to retain its economic base but it also needs to be widely spread.

In *Divided Wales: Local Prosperity in the 1980s* two academics from the Cardiff Business School, Mr Jonathan Morris and Mr Barry Wilkinson, report that the recovery has had far greater effect in the motorway corridor. That recovery begins to become less

noticeable, they comment, the further north one goes.

Despite the inflow, unemployment remains high. Although it has fallen to just over 9 per cent on a seasonally-adjusted basis, the figure that the ebullient Secretary of State, Mr Peter Walker, likes to quote, a more accurate indication is given by the government's own local-authority figures, since these do not include those on temporary schemes or the self-employed. On this basis the Mid Glamorgan figure is 12.9 per cent, with men alone pushing the level to 16.7 per cent.

High unemployment and a large number of retired people mean that total household income in some parts of the valleys is no more than £4,000 a year, as low a figure as is to be found in Britain. Combined with some poor social conditions and a large stock of old housing these statistics have led to the valleys being described as Wales' only inner-city problem area.

Recognition of this socio-economic condition led Mr Walker to launch last year a Valleys Pro-

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gramme, in which he sought not just to attract new jobs but also to do something about the social deprivation. Progress on implementation of the 50-odd proposals in the programme is being monitored very closely.

Mr Walker saw that if the area was to prosper it had to be given confidence in itself. It had to be given a secure economic base in which the industries of tomorrow could provide the jobs for men and women who have largely worked in the industries of yesterday. The arrival or the expansion of a long list of companies indicates that confidence in the towns and valleys that comprise Mid Glamorgan is returning strongly.

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WALES' LEADING MANUFACTURING LOCATION









CONSTRUCTION CONTRACTS

£80m for A. McAlpine

ALFRED McALPINE has been awarded a further £80m worth of contracts recently with nearly £40m being placed by the private sector.

The largest is a £12m campus office development of over 200,000 sq ft at the Croxley Centre, Watford, for The Standard Life Assurance Company. The project has a duration of 18 weeks and comprises three three-storey buildings together with separate three-storey car parks with a combined capacity of 850 cars.

The second largest contract is a £13m town centre retail development at Farnborough, Hampshire, for The Prince Mead Consortium, which includes an 83,500 sq ft Asda Superstore. Features include 21 retail units, a covered mall, food court, management suite and public amenities providing almost 220,000 sq ft of retail space and parking for 950 cars.

The company has also been awarded an £8.64m contract by the Home Office for the redevelopment of the Youth Custody Centre at Guy's Marsh, Dorset, and the £5.5m construction phase of a design and build contract with the Property Services Agency (PSA). The PSA contract is for the construction of a Crown and County Courts building in the centre of Stafford.

Other contracts awarded to Alfred McAlpine Construction include a £5.32m contract from

West Glamorgan County Council for the Stage 1 Elmhill link road; a £3.7m office development in Redhill, Surrey for Norwich Union; a £2.9m flood embankment on top of a dam at Woodhead for North West Water Authority; a £2m housing contract for London Borough of Newham; £1.85m sea defences at Prestatyn for Rhuddlan Borough Council; a £1.5m contract for Chester for TSB; £2.4m fixed contracts for M.W. Kellogg at Carrington; a £1.9m prison block in Liverpool for the Home Office; a £1.767,900 contract to refurbish housing at Old Town Festies for Bidon Housing Association; £540,000 reinforced-concrete tank for Welsh Water Authority at Gresford in Clwyd, and a £628,000 contract for the Home Office at Risleigh.

Alfred McAlpine Quarry Products has won a £5.94m contract from North Yorkshire County Council for the resurfacing of 11km of northbound carriageway on the A1(M) between Burton and Burtree, a £2.5m subcontract from Cementation Construction for runway resurfacing at RAF Fintona, South Yorkshire and a £1.6m subcontract from sister company, Alfred McAlpine Construction, to construct the asphaltic membrane to the upstream face of Roadford Dam in Devon - a project being carried out for South West Water Authority.

Architects predict boom

By Andrew Taylor, Construction Correspondent

PRIVATE ARCHITECTS received a record of almost £13m new commissions in the final three months of last year, according to a survey by the Royal Institute of British Architects.

The institute said commissions were 27 per cent higher between October and December than during the previous three months. Architects' commissions provide a good early guide to future construction contracts. The results confirm the continued rise in private sector commercial and industrial orders to contractors at the end of last year, reported in the latest statistics from the Environment Department.

The institute said: "The British construction boom has continued to confound predictions by reaching another record level of work commissioned during the final quarter of last year. The survey commissioned by RIBA LEADS (published jointly by the institute and Camargue Communications)

questioned 5000 architectural practices about the outlook for work during the next six months.

Thirty per cent of firms said they expected commissions to increase, 57 per cent expected workloads to remain stable, and 13 per cent expected work to decline.

The institute said the survey showed the way in which the reconstruction boom which had started in south east England had spread to other parts of the country.

"All regions, with the exception of the south west, showed a massive increase in work commissioned. The biggest rises were in the Midlands and East Anglia, up 67 per cent. Scotland was up 30 per cent and London 29 per cent."

New commissions had more than quadrupled in Scotland last year. The institute, however, expected architects' workloads would decline during the next 12 months as high interest rates dented confidence in the economy.

It still expected workloads to remain above 1987 levels.

It said office development work won by architects could fall by 15 per cent during the next 12 months, with speculative developers at risk of becoming financially over-stretched. Retail work could fall by a tenth and many refurbishment jobs be postponed should consumer spending fall sharply.

Led by developments were likely to provide an increasing amount of work for architects during the next 12 months, with new commissions expected to rise by 8 per cent.

"As the tourist industry grows there will be a continuing demand for more, and a wider variety, of hotels, restaurants and other facilities," said the institute.

The distribution of large projects (£5m+) shows an increasing number outside the South East



Region	%up	%stable	%down	balance
London	27	51	11	+26
South East	26	53	22	+3
Midland Ang	21	71	8	+13
South West	20	48	13	+25
Wales	20	58	7	+33
North	25	65	10	+8
Scotland	45	54	3	+40
Ulster	17	72	10	+7
Total	26	57	13	+17

Security installation in Greenwich tower blocks

London building contractor MANSELL has won a variety of contracts totalling more than £22m for refurbishment, repair, new build, maintenance and minor works.

The largest is a £3.6m contract for the London Borough of Greenwich to install security systems to 11 tower and 35 maisonette blocks and to create 11 concierge monitoring offices at Ferris Estate, Walgall Road, London SE3. Also involved is the conversion of 17 stair wells for lifts and the closure of link bridges.

A £2m contract for the London Borough of Hammersmith and Fulham at Fulham Court, Fulham Road, SW6, covers 215 flats and maisonettes, involving chimney stack removal and roof repair, facade repair and redecoration; refuse chute repair, common stairway refurbishment, overhaul of services and drainage works.

A £2m refurbishment of vacant offices and construction of a plant room and lift enclosure at third/fourth floor level at 33 Bruton Street, W1 is for Hopemaker Properties.

For Alliance & Leicester Building Society, a contract is being undertaken for the £1.75m construction of a hill office extension at Hyde Park, Hove, Sussex, with steel frames and concrete floors and air conditioning.

Rehabilitation of four-storey block of flats including erection of pitched roofs over flat roofs, windows and doors, general repairs and redecoration is included in a £1.6m contract for London Borough of Lambeth at Canonbury Court, Seaborn Street, N1.

A £1.1m contract for the London Borough of Camden involves re-roofing, external repairs and redecoration of multi-storey flats at St. Silas Street, NW5.

Theatre refurbishment, worth £1m, mainly to roof and toilets, of The Academy, Stockwell Road, Brixton, is for Angel Crystal.

Construction of two linked two-storey office buildings together with external works is included in a £900,000 new build contract for Mainstride at 72/80 Black Lion Lane, Hammersmith.

Other contracts include £860,000 refurbishment of exterior and common areas at Wandon Road Estate, SW1 for the Royal Borough of Kensington & Chelsea; a £890,000 refurbishment of public areas at Lennig House, Mason's Avenue, Croydon for Scottish Amicable Life Assurance Society; the £740,000 demolition of rear addition, and rebuild of a three-storey house at 54 Queen Anne Street, W1 for the Miller Group; a £400,000 refurbishment and extension of underground public conveniences at Leicester Square for the City of Westminster; a £300,000 construction of new staircases and external repairs for Mole Valley District Council at The Mead, Dorking, Surrey; £260,000 repairs at 1-51 Moody Street, E1 for the London Borough of Tower Hamlets and £330,000 worth of refurbishment, including internal alterations and extension, of Lloyds Bank, Howard's Gate, Welwyn Garden City, Herts.

IN BRIEF

SIR ROBERT McALPINE MANAGEMENT CONTRACTORS has been awarded a contract worth £2.5m by Azralov Investment to build an air conditioned office building at No.1 Love Lane in the City of London. The five-storey structure, with a total floor area of 900 sq metres, will be of steel frame construction clad principally in Portland stone on two elevations and brick on the remaining elevations. Work is due for completion in March 1990.

Defence work valued at more than £8m has been placed with NORWEST HOLST by the PSA. The largest contract, at £5m, is at the army warehouse complex at MOD Dunnington, near Telford. Work includes the upgrading of Building B3, the provision of fire compartment walls and the construction of a single-storey office building and car parking area. At the submarine base at Faslane, the company has a £1.4m contract to provide a weldmesh security system and other ancillary works.

A £560,000 contract to build a car showroom and distribution centre in Hereford, for Austin Volkswagen dealers South Hereford Garages, has been awarded to Clwyd-based REDROW CONSTRUCTION. The garage will be situated in College Road, Hereford, adjacent to another newly-constructed Redrow building.

The British Government, with the assistance of Aid Armenia and of a number of major British firms as co-sponsors, is to equip a school in Leningrad to replace one lost in last year's earthquake. A memorandum of understanding to this effect was signed by Mr Geoffrey Howe, Foreign Secretary, and Mr Eduard Shevardnaze, Soviet Foreign Affairs Minister.

Building services, valued at £7.5m, for a Bristol development are to be supplied by the Western Region office of DRAKE & SCULL ENGINEERING, a member of the Shindig Group. Air conditioning, fire protection systems, all electrical services and a building management programme are to be supplied to The Galleries Shopping Centre development in Broadmead, Bristol, for which Schal International are the construction managers. Joint developers for the scheme are Norwich Union Life Insurance Society and Ladbrooke City and County Land Co.

RUSH & TOMPKINS has started phase two of Sbees Developments' Wellington Centre, Aldershot. Due for completion in March 1990, construction involves a two-storey 13,350 sq metre shopping centre, two escalators and feature lift, and a first floor pedestrian bridge, which will link the complex with phase one.

Mowlem builds a park

Over £10.5m orders have been awarded to MOWLEM REGIONAL CONSTRUCTION including Everton Park Phase IV for the City of Liverpool and Merseyside Task Force.

Valued at £1.2m, the order is for the development of a 10 acre site to provide parks and gardens. Work involves construction of a fountain pool area, nature and flower gardens, footpaths and walkways together with stone and wrought iron boundary fences. The twelve-month project is for the City of Liverpool.

Merseyside Waste Disposal Authority has awarded a £1.43m contract for a waste transfer station at Southport. At Hollinwood Avenue Industrial Estate, Oldham, the Metropolitan Borough Council has awarded a £1.4m contract for a road, car park and associated sewers and drains.

In Onllwyn, Mowlem is carrying out a £1m contract for the design and construction of an access road into the Onllwyn disposal point for the British Coal Opencast Executive. The project includes a weighbridge and vehicle washing facilities.

The Manchester Ship Canal Company has awarded a £700,000 contract at Ellesmere Port Dock. This involves a further extension to the container terminal and the construction of an additional quay storage area. The work includes extension of crane tracks, drainage, paving and associated works.

Other awards include: £2.5m of civil engineering works for W & E Umwelttechnik at Ellesmere Port; and the Segeherrow by-pass contract, valued at £1.74m, for the Department of Transport.

Fairclough builds hotel

FAIRCLOUGH BUILDING has won over £7m worth of construction business in the Cardiff area.

The largest of three projects is the Cardiff International Hotel on the World Trade Centre site, for the Brent Walker Group.

The six-storey hotel will have 141 bedrooms, syndicate rooms, public areas, grillroom and bar.

The company has started on the conversion of nearby Snell

ing House, also for Brent Walker. To be renamed Harlech Court, the four-storey building in Butte Terrace is being upgraded into a computer centre. An office extension is being added. The building will be refurbished internally.

The third contract is for a 21m showroom and service facility in Hadfield Road, Lackwith, for White Dove Garages.

Fairclough Building is part of AMEC.

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Scottish bank job

F J C LILLEY, the Glasgow-based construction and property group, has received orders totalling £18.4m.

Melville, Dundas and Whitson, Lilley's Glasgow based building subsidiary, has won a £7.1m contract to build a sorting office at South Gyle, Edinburgh for the Bank of Scotland. MDW have also secured other contracts to a value of £1.4m.

Lilley Construction has secured two contracts in the south east of England. At Egham, Surrey it will construct a two-storey office building for UK Land, valued at £2m, while at Maidenhead, Lilley is to build a three-storey U-shaped office development with car park, valued at £2.9m, for Boundnight.

Eden Construction, the group's Cornish-based subsidiary, is to carry out reconstruction and resurfacing work on the M6 motorway in a contract with Cheshire County Council, valued at £1.6m.



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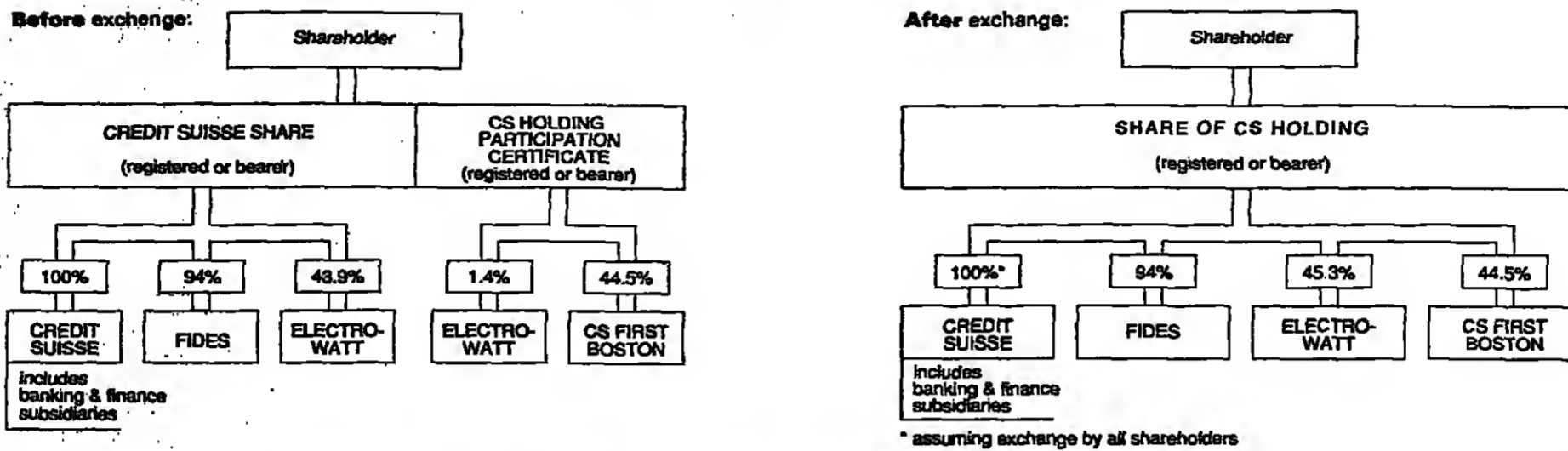


# CS HOLDING

## Exchange Offer to Shareholders of Credit Suisse

Exchange period: 17-27 April 1989, at noon Exchange ratio: 1 share of Credit Suisse with PC of CS HOLDING = 1.1 shares of CS HOLDING

### Restructuring of the CS Group CS HOLDING as the central holding company of the CS Group



The exchange of shares will not have any economic effect on the shareholder's equity interest.

It will merely alter the legal form of his stake in the CS Group. Instead of a Credit Suisse share with an attached participation certificate of CS HOLDING, he will now receive 1 1/2 share in CS HOLDING. Thus the CS HOLDING participation certificates attached to Credit Suisse shares will be transformed into separately tradeable securities (i. e. 1/2 of a new share in CS HOLDING for every existing participation certificate). To put it another way, a shareholder with ten Credit Suisse shares, including PCs of CS HOLDING, will receive eleven new shares in CS HOLDING. Moreover, after completion of the exchange he can take part in CS HOLDING's attractive par-priced rights issue.

#### The new Group structure

The exchange of Credit Suisse shares with attached CS HOLDING participation certificates for shares of CS HOLDING has the following major advantages for shareholders and for the Group's component companies:

- Simplified Group structure**  
The newly structured Group will be organized under a single holding company. Credit Suisse's present non-banking interests in Electrowatt Ltd. and Fides HOLDING will be transferred to CS HOLDING. The elimination of these non-core assets from Credit Suisse's balance sheet will enable the Bank to use its capital even more effectively. Henceforth, Electrowatt Ltd. and Fides HOLDING will be direct subsidiaries of CS HOLDING.
- Increased transparency for shareholders**  
At present, ownership of Credit Suisse shares and the attached participation certificates of CS HOLDING gives the investor an equity interest in two legally independent entities. Under the new structure, the investor will be a shareholder in a single company, CS HOLDING, which will operate as the central holding company of the entire CS Group.  
The present arrangement under which the equity securities of CS HOLDING exist in the form of participation certificates attached to Credit Suisse shares will thus become redundant. The result will be to simplify the individual shareholder's relationship to the Group without changing his economic interest in the Group as a whole. The new structure will give Credit Suisse shareholders the opportunity to exchange their CS HOLDING participation certificates for CS HOLDING shares and thereby obtain a separately negotiable instrument.
- Basis for future growth**  
With this new Group structure, CS HOLDING is well-positioned to meet future challenges in domestic and international markets.  
CS HOLDING will now have direct interests in the following sectors: universal banking; investment banking; energy, industry, engineering services and general contracting; trust business, information technology and management consultancy.  
The new structure guarantees each individual company the necessary flexibility to operate successfully in its specific field of operations within the context of the Group as a whole. At the same time, each company will be able to develop independently and - where appropriate - to have its own identity. The proposed transaction is a logical next step after the reorganization of the entire CS First Boston Group at the end of 1988.

#### Consolidated pro forma figures

The following figures assume a 100% exchange and are based on the annual financial statements of the Group's component companies at 31 December 1988.

#### Balance sheet

#### Consolidated pro forma balance sheet of CS HOLDING (equity method, in Sfr millions)

Assets		Liabilities and shareholders' equity	
Liquid assets	15	Borrowings	1 490
Investments in affiliates	9 220	Provisions	125
Other assets	115	Capital and reserves	
		- Share capital	2 035
		- Reserves	4 930
		Net profit	770
<b>Total assets</b>	<b>9 350</b>	<b>Total liabilities and shareholders' equity</b>	<b>9 350</b>

#### Net profit and cash flow (equity method)

The consolidated net profit, calculated using the equity method, amounts to Sfr 770 million, with cash flow of Sfr 1.66 billion.

Equity method: The consolidated capital and reserves, net profit and cash flow of the individual companies are credited to CS HOLDING in proportion to the latter's equity interest in each firm (consolidation on a proportionate basis).

#### Offer of exchange

The shareholders of CS HOLDING and the Board of Directors of Credit Suisse, having passed the necessary resolution for a new CS Group structure at their meetings on 2 March 1989, approve the following Exchange and Subscription Offer and recommend the Offer to the shareholders of Credit Suisse.

- Exchange period: 17 April 1989 - 27 April 1989, noon
- Exchange ratio:

1 registered share of Credit Suisse with a nominal value of Sfr 100 together with 1 registered participation certificate of CS HOLDING with a nominal value of Sfr 10 (certificates without coupons)	for	1.1 registered share of CS HOLDING with a nominal value of Sfr 100 per share (certificates without coupons)
1 bearer share of Credit Suisse with a nominal value of Sfr 500 together with 1 bearer participation certificate of CS HOLDING with a nominal value of Sfr 50 (carrying coupons no. 4 & 7)	for	1.1 bearer share of CS HOLDING with a nominal value of Sfr 500 per share (carrying coupons no. 1 & 11)

If the number of shares of Credit Suisse, with participation certificates of CS HOLDING, submitted by a shareholder for exchange is not 10 or a multiple thereof, the exchange ratio will result in a fractional share of CS HOLDING. As fractions of a share of CS HOLDING cannot be delivered, the person submitting the Credit Suisse shares must then round up or down to the nearest whole share of CS HOLDING. In this context, a fractional share is defined as follows:  
1 fractional share = 0.1 share of CS HOLDING

The calculation of the value of fractional shares of CS HOLDING will be based on the average of the closing prices of the shares of Credit Suisse with attached participation certificates of CS HOLDING on the Zurich Stock Exchange during the period 18-21 April 1989; 0.1 share of CS HOLDING will be valued at one-eleventh (rounded up or down to the nearest whole Swiss franc) of the average value of the appropriate class of share of Credit Suisse with attached participation certificate of CS HOLDING calculated as described above.  
On 8 May 1989, Credit Suisse will announce binding uniform prices for fractional shares of CS HOLDING (divided into bearer and registered shares) calculated on the basis of the formula set out above.

- Charges**  
The exchange will be without charge to persons presenting shares of Credit Suisse with PCs of CS HOLDING for exchange. Swiss Federal Stamp Tax on the issue of the new CS HOLDING shares will be paid by CS HOLDING.
- Withdrawal of the offer of exchange**  
CS HOLDING reserves the right to withdraw the offer of exchange if less than two-thirds of all shares of Credit Suisse are notified and deposited for the purpose of the exchange. The decision on such a withdrawal of the offer of exchange will be made known on 9 May 1989.
- Entry in the Shareholders' Register**  
All registered shareholders entered in the Shareholders' Register of Credit Suisse as at 10 April 1989 will be entered without reserve in the Shareholders' Register of CS HOLDING after the exchange. Each entry will apply to all registered shares entered in the shareholder's name as at 10 April 1989.

- Certificates**  
Delivery of the new shares will be made as soon as possible. The registered shares of CS HOLDING will be issued as certificates without coupons. The bearer shares of CS HOLDING will be issued as individual shares and as certificates for 100 and 1000 shares.
- Entitlement to dividends**  
The bearer and registered shares of CS HOLDING resulting from the exchange rank for dividends for the 1988/89 financial year.
- Listing**  
An application has been made to all Swiss stock exchanges for admission of the bearer and registered shares of CS HOLDING to listing with effect from 10 May 1989. Listing and trading of CS HOLDING bearer shares on the stock exchanges of Frankfurt and Tokyo will be instituted as soon as possible.
- Acceptance of the offer of exchange/Procedure for shareholders**  
Shareholders who wish to accept CS HOLDING's offer to exchange and who wish, on the basis of the new shareholding acquired, to avail themselves of the subsequent offer of rights to purchase CS HOLDING shares at par must fill out and sign the "Declaration of Acceptance and Assignment" form and send it to the bank at which their certificates are deposited to arrive no later than 27 April 1989, at noon for the attention of Watt AG. Shareholders who keep shares of Credit Suisse with attached participation certificates of CS HOLDING at home must fill out the "Declaration of Acceptance and Assignment" form and deposit it, accompanied by the relevant share(s), at a branch of Credit Suisse or at their own bank no later than 27 April 1989, at noon. Registered shares must carry a blank endorsement. Shareholders who do not wish to participate in the exchange transaction and who will therefore be excluded from the subsequent offer of rights to purchase shares of CS HOLDING at par should fill out and sign the appropriate part of the "Declaration of Acceptance and Assignment" form and send it to their bank to arrive no later than 27 April 1989, at noon.
- Absence of instructions**  
In the case of any shareholders who have not given instructions in this matter by 27 April 1989 at noon, the shareholder's bank will act in the shareholder's interests.

Bank responsible for handling the exchange transaction:  
**CREDIT SUISSE**

Zurich, 17 April 1989

#### Rights issue

After the exchange, an offer of rights to subscribe for further shares of CS HOLDING will be made to the shareholders and remaining participation certificate holders of CS HOLDING. Under the terms of the offer, the shareholders of CS HOLDING will have the right during the period from 29 May until noon on 9 June 1989 to purchase 1 new share for every 15 shares of the same class at par. The details of the rights issue will be published in due course after completion of the exchange.

#### Listing numbers:

133.388	Bearer share of Credit Suisse with PC of CS HOLDING
133.387	Registered share of Credit Suisse with PC of CS HOLDING
162.750	Bearer share of CS HOLDING
162.751	Registered share of CS HOLDING

SARAKREEK HOLDING N.V.

Amsterdam
Notice is hereby given that the Annual General Meeting of Shareholders of Sarakreek Holding N.V. will be held on Tuesday, 2nd May 1989 at 11 a.m. at the Pullman Hotel Schiphol, Oude Hageweg 20, 1066 BW Amsterdam.

- The agenda includes:
- Annual report of the Board of Management
- Establishment of the year-end accounts 1988
- Determination of the profit appropriation for 1988

To be able to attend the meeting, shareholders must deposit their shares at the offices of the above-named bank not later than 27th April 1989.

EXPORT FINANCE

The Financial Times proposes to publish a Survey on the above on

1 JUNE 1989

For a full editorial synopsis and advertisement details, please contact:

EDWARD MACQUISTEN

on 01-873 3300 or write to him at:
Number One, Southwark Bridge London SE1 9HL.

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

BOSTON EQUITY INVESTMENT FUND, SICAV

41, Boulevard Royal Luxembourg
R.C. LUXEMBOURG B 25254
Since no quorum as required by law was present at the extraordinary meeting of shareholders on April 13, 1989, notice is hereby given that the second extraordinary general meeting of shareholders will be held at the registered office 41, Boulevard Royal, Luxembourg, on May 19, 1989 at 3 p.m. with the following agenda:

BOSTON U.S. GOVERNMENT INCOME FUND, SICAV

41, Boulevard Royal Luxembourg
R.C. LUXEMBOURG B 25478
Since no quorum as required by law was present at the extraordinary meeting of shareholders on April 13, 1989, notice is hereby given that the second extraordinary general meeting of shareholders will be held at the registered office 41, Boulevard Royal, Luxembourg, on May 19, 1989 at 3 p.m. with the following agenda:

BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV

41, Boulevard Royal Luxembourg
R.C. LUXEMBOURG B 27278
Since no quorum as required by law was present at the extraordinary meeting of shareholders on April 13, 1989, notice is hereby given that the second extraordinary general meeting of shareholders will be held at the registered office 41, Boulevard Royal, Luxembourg, on May 19, 1989 at 3 p.m. with the following agenda:

BOSTON LIQUIDITY MANAGEMENT FUND, SICAV

41, Boulevard Royal Luxembourg
R.C. LUXEMBOURG B 25257
Since no quorum as required by law was present at the extraordinary meeting of shareholders on April 13, 1989, notice is hereby given that the second extraordinary general meeting of shareholders will be held at the registered office 41, Boulevard Royal, Luxembourg, on May 19, 1989 at 3 p.m. with the following agenda:

DIARY DATES

FINANCIAL

Today
COMPANY MEETINGS:
- Galileo Group North Stafford Hotel, Levens-Claydon, 12.00
- Dares Exports, Carlisle, Brook Street, W. 12.00
- R.E.P. Intl. Chartered Insurance Institute, 20 Aldermanbury, E.C. 11.00
- TR Pacific Inv. Tst., Mermaid House, 2, Postle Dock, E.C. 12 4G

Monday
- John Terrace, Edinburgh, 12.00
- Chalmers & Pugh 19, Hartwood, 10.00
- Cash Management Group, 11 St. Pauls, 10.30
- St. Pauls, 11.00
- Finance, 11.30
- National Engineering Inds., Gosforth Park, Newcastle upon Tyne, 12.00
- UFG Group, Howard Hotel, Temple Place, W.C. 12.00
- City of London, Black Swan House, 1, Cannon Row, E.C. 4, 10.30
- Yorkshire Fire & Marine, Cavendish Street, W.C. 12.00

Trade Fairs and Exhibitions: UK

April 17-21
International Maritime Exhibition - EXPOSHIP LONDON (0206 45121)
Barbican Centre
Energy Exhibition (0895 421111) NBS, Birmingham

Overseas Exhibitions

Current
Great April Fair (Milan 4997 298) (until April 23) Milan
Office Equipment, Data Processing & Software Exhibition - SICOB (01-225 5565) Paris

Business and management conferences

April 18-19
American Tax Institute: Euro-American mergers and acquisitions, a US tax update (01-935 7502) Portman Hotel, London
Acquisitions Monthly: Buying and selling unquoted companies (01-853 8740) Le Meridien Hotel, London

PARLIAMENTARY

Today
Commons: Dock Work Bill, second reading. Motions on Housing (change of landlord) regulations and Education (National Curriculum) (attainment targets and programmes of study in mathematics) and (science) orders.
Lords: Water Bill, second reading.

single Market. Opposed private Bill.

Lords: Official Secrets Bill, second reading. Brunei (appeal) Bill, second reading. Africa and assistance (financial conditions) (Scotland) regulations 1989. Civil legal aid (financial conditions) (Scotland) regulations 1989.
Select Committee: Transport Subject, Public Expenditure White Paper. Witness: Department of Transport (Room 17, 4.15 pm).

Use and Forestry. Witnesses:

National Farmers' Union; Farmers' Union of Wales; Country Landowners' Association; Scottish Landowners' Federation (Room 20, 10.45 am).
Energy: Subject, Energy policy implications of the green-house effect. Witnesses: Association for the Conservation of Energy, Friends of the Earth, Greenpeace, and Worldwide Fund for Nature. (Room 8, 11 am).

Thursday

Commons: Debate on report of joint committee on private bill procedure.
Lords: Security Service Bill, report. Companies Bill, report and Antarctic Minerals Bill, second reading.

SWEDISH INDUSTRY

The Financial Times proposes to publish a Survey on the above on
5th June 1989
For a full editorial synopsis and advertisement details, please contact:
Chris Schaanning on 01-873 3428 or Gillian King on 01-873 4823 or write to them at:
Number One, Southwark Bridge London SE1 9HL.

MAGAZINE PUBLISHING

The Financial Times proposes to publish this survey on:
16th May 1989
For a full editorial synopsis and advertisement details, please contact:
Neville Woodcock on 01-873 3365 or write to him at:
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Since no quorum as required by law was present at the extraordinary meeting of shareholders on April 13, 1989, notice is hereby given that the second extraordinary general meeting of shareholders will be held at the registered office 41, Boulevard Royal, Luxembourg, on May 19, 1989 at 3 p.m. with the following agenda:

BOSTON INCOME INVESTMENT FUND, SICAV

41, Boulevard Royal Luxembourg
R.C. LUXEMBOURG B 25285
Since no quorum as required by law was present at the extraordinary meeting of shareholders on April 13, 1989, notice is hereby given that the second extraordinary general meeting of shareholders will be held at the registered office 41, Boulevard Royal, Luxembourg, on May 19, 1989 at 3 p.m. with the following agenda:

BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV

41, Boulevard Royal Luxembourg
R.C. LUXEMBOURG B 27278
Since no quorum as required by law was present at the extraordinary meeting of shareholders on April 13, 1989, notice is hereby given that the second extraordinary general meeting of shareholders will be held at the registered office 41, Boulevard Royal, Luxembourg, on May 19, 1989 at 3 p.m. with the following agenda:

BOSTON LIQUIDITY MANAGEMENT FUND, SICAV

41, Boulevard Royal Luxembourg
R.C. LUXEMBOURG B 25257
Since no quorum as required by law was present at the extraordinary meeting of shareholders on April 13, 1989, notice is hereby given that the second extraordinary general meeting of shareholders will be held at the registered office 41, Boulevard Royal, Luxembourg, on May 19, 1989 at 3 p.m. with the following agenda:

LEGAL COLUMN

Solicitors briefed on crucial role of training

By David Churchill

AS SOLICITORS come to terms with the new competitive world facing them in the 1990s, how much attention do they pay to the crucial role of training and education of existing staff? Increasingly, the answer seems to be that more and more top firms of lawyers are recognising training and development as a vital part of practice development.

However, training in firms of solicitors does not now merely involve keeping solicitors up-to-date with what is going on in the legal world but also includes extra emphasis on marketing. Special courses, for example, are being introduced increasingly in communication skills, stress management, presentation techniques and other marketing methods.

Mr John Pickering, a staff partner at the Sheffield firm of Irwin Mitchell, said: "We recognise the importance of training and education in light of the challenges of a highly competitive legal profession. We have already developed our own training programme and sought external advice on its future modification and implementation."

There appear to be three main routes through which legal firms provide for their training needs.

Firstly, through the use of a full time in-house training and education officer who has total responsibility for all the train-

ing needs of the firm. Mr Ian Cooper, of the Leeds-based specialist marketing consultancy Ian Cooper Communications, said: "It is my understanding that there is almost a professional body now of training and education officers working in solicitors' practices and the demand for such individuals outstrips the supply."

'Client education is likely to assume even greater importance in the 1990s'

Secondly, through training being provided by one individual to a group of firms. Mr Robert Neville, partner in the City firm of Kingsford Dorman & South Stacey, said: "We have considered the training issue within the firm and decided that it was not cost effective to appoint a training officer on our own - but we may possibly do so as a joint venture with other legal firms."

Thirdly, more and more firms are looking to use external specialist training organisations for various training needs.

Mr Donald Thompson, the partner responsible for train-

ing and education at West Country solicitors Stephen & Scown, said: "We recently supplemented our in-house training by bringing in a specialist consultancy to improve our fee earners' marketing and communication skills."

Mr Martin Edwards, a partner in Liverpool and Manchester-based Mace & Jones pointed out that "any member of our staff who attends a lecture or seminar is asked to give an in-house presentation on the subject afterwards to his or her department."

He added: "This is not only a useful aid to learning and a way of spreading knowledge throughout the firm but also effective in developing vital communication skills."

One legal firm which has embraced the training function is Hammond Suddards from Leeds. The firm has employed Mr Ian Austin as full-time training officer and he sees his role as not only covering internal training but also client education.

He said: "Client education is likely to assume even greater importance in the 1990s. A knowledgeable client will genuinely feel better disposed to his or her lawyers."

NOW THAT more than half of the current intake of solicitors are women - many of whom

practise in country areas and as sole practitioners - the views of the Association of Women Solicitors are even more relevant.

The association, not surprisingly, is concerned at the effect of the proposed reforms of the legal profession outlined by the Lord Chancellor in three green papers earlier this year.

In particular, the association is worried about the impact of the reforms on general practice, particularly in rural areas. It said: "We would question whether there would be enough lawyers to provide the specialist services envisaged in such areas."

The association believes that "there is a dichotomy between the Government's espousal of the cause of small businesses and the likely effect of the green paper reforms which would be to cut down the scope for the general legal practitioner, for whom specialisation may be inappropriate, to continue working on his or her own or in a small practice."

It stressed that the public image of lawyers is not a good one but that their service was further-reaching than usually imagined by the general public. It said: "This is particularly reflected in the personal service of conveyancing and, apart from the very real concern about conflict of interest, we are worried that

lending institutions will not offer either a personal service or an independent one."

A NEW independent, consumer-orientated board to investigate complaints against solicitors is called for by the investigation committee of the Solicitors Complaints Bureau.

'The way forward is through a complaints board which is independent of the Law Society'

power to compensate a complainant (up to a limit of £2,000) for the consequences of professional misconduct, inadequate services, or administrative incompetence. Ms Jean Horsham, chairman of the committee, said that the present complaints bureau was only a half-way house. "The way forward is through a complaints board which is independent of the Law Society. Its function would be to investi-

gate complaints against solicitors where there was some element of compensation involved whether by a reduction of fees or by a financial remedy beyond that."

She added: "This would be a true one-stop complaints handling, as all complaints about solicitors, including complaints about costs and charging, would be received and investigated by the new Board."

LAWYERS ACTING for the 15 victims of Legionnaires' Disease at the BBC last year have agreed to co-ordinate their work in pursuit of compensation claims for their clients.

All of the 15 victims were in hospital, some for more than two months, as a result of contracting the disease.

Mr William O'Brien, a partner in the London firm of Russell Jones & Walker which is co-ordinating the compensation efforts, said: "There are great differences in the tactics being adopted by the BBC and its insurers with each solicitor acting for victims of the outbreak."

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LAW SOCIETIES ADMISSIONS 15TH APRIL 1989. Table listing names and details of individuals admitted to various law societies.

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MANAGEMENT

Over the past decade, International Thomson Organisation (ITO) has earned a well-deserved reputation for acquisitiveness. The Canadian-based diversified publishing and travel services group has made some 60 separate purchases since 1979 in US specialty publishing alone.

Less well-known is that the company, which is shortly to be merged with Thomson Newspapers and renamed simply The Thomson Corporation, has become one of the most prolific creators of new products in the publishing industry. More than \$100m was spent on new product development in the last financial year - about four times the 1985 figure.



Michael Brown: expects people to take a "contained risk"

## A committed creator

David Owen explains Thomson group's prolific rate of new publication launches

Until recently, this expenditure was concentrated in the specialty publishing field, where Thomson's stable of titles ranges from the Jane's series of defence publications to *Oncology and Biotechnology News*. The decline of the UK print unions and subsequent re-equipment of the group's 120-strong quiver of UK regional newspapers has permitted a spate of product development in this area as well.

The past year has seen the launch of three paid-for Sunday newspapers in Wales, Scotland and Northern Ireland, and about a dozen free newspapers. A new daily newspaper is planned for Chester.

"We believe that as much growth as possible should be secured by creating product," says Michael Brown, 53, the spy Englishman who has been president of ITO since 1985.

The basis of this conviction is essentially twofold. First and foremost, there are the lofty multiples assigned by would-be buyers to established publications. "If a well-established evening newspaper were to become available, what would you pay for it in Britain?" Brown asks rhetorically. "Twenty, twenty-five times earnings? Thirty times? Isn't it so much better to pay the entry fee in a tax deductible form (development costs are tax deductible), accept the fact that there will be delays and cost over-runs, and that when you launch 12 papers two don't work so you write them off? Then look at what you have got in nine years' time."

Second is the opportunity to build overall market share - particularly in fields where attractive acquisition targets are not readily identifiable. As Brown points out, a good proportion of the publications that will be at the head of the pack in the year 2000 have yet to be

conceived and created. "If we have, say, a 10 per cent market share of current product why should we only have 10 per cent of new product?" he asks. "Why shouldn't we have 50 per cent? And if we do have 50 per cent, by definition, we then pull up our overall market share dramatically."

A third subsidiary reason for this emphasis on new product development at Thomson is simply that it makes senior executives' lives more interesting. "It's boring running a company that is standing still," observes Nigel Harrison, ITO's vice president-finance. It should be added that the Thomson companies can afford the luxury of making mistakes in a way that many of their competitors cannot, since they are family-controlled (by the second Lord Thomson of Fleet) and hence immune from hostile takeover. "If one of our major new projects fails," says Brown, "we will have egg all over our faces; I will look a fool. But no predator is going to take us over."

Recognising the benefits of new product development and instilling the management culture necessary to foster the process in an organisation as large as Thomson are of course

two very different matters. This is particularly so when the short shrift Brown gives to the so-called advantages of synergies in the publishing industry have resulted in an exceptionally decentralised corporate structure. Head office staff for a group that had revenues last year of \$3.7bn number just 40 people. Only the very largest projects require central approval.

As a result, many details of strategy, such as the structuring of executive pay packages and the manner in which areas of potential opportunity are pinpointed, vary greatly from division to division. Nevertheless, Brown enumerates certain guiding principles which together form a blueprint for encouraging creative thinking throughout the organisation.

First, annual targets are set which mandate a given percentage of a division's revenues to be ploughed back into new product development. Managers who fall behind budget are pestered remorselessly. "Some of our companies are still not spending enough on new product," says Brown, "and the chief executives know because I am bugging them the whole time."

Second, new product ideas should be well thought through and researched, and should amount to more than idle speculation. "We expect people to take what we call a 'contained risk'," says Brown. "Third, if the project is not deemed as having been unduly speculative, there is no reprimand or court martial should it fail, as some inevitably do. "People need to know that their neck is not on the line just because they have a failure," says Harrison. "Once people have really understood that, they have been prepared to step out and take risks."

Fourth, when buying companies from publishing entrepreneurs, ITO takes pains to retain the services of those individuals - and to provide financial incentives for them to continue to create new product. In a number of cases, further payments are made based on future levels of profitability and/or revenues. This is pitched at a level that can only be attained by developing new products.

Finally, when it comes to new product, the group is wary of cutting corners on cost. "We provide ample funds for all organic development and cushions as well," says Brown. "If you ask people who have founded publications why they did it, they say 'I was with the XYZ Corporation and I had this idea but they wouldn't support me'."

By hammering away at these principles, Brown and Harrison believe that they are close to institutionalising the process of new product development at ITO. "It is tough to get the mindset going if it is not already there, but once you get it going, it is almost self-fulfilling," they say. "We have new product development departments that are staffed full-time by editors who do nothing else but create new product. They are also finding, they say, that the reputation for development which the group is starting to acquire is helping them to attract scarce creative talent."

If the dsuntingly energetic Brown has any regrets about the group's development policy during his four years at the helm, it is that it has not been adventurous enough. It is only recently that high-risk ventures such as the regional Sunday newspapers in the UK and the launch of IIX - a new electronic delivery systems product aimed at the financial services industry - have been readily undertaken. The extension of families of books and newsletters - a process which Brown describes as "almost a no-brainer" - had previously been the order of the day.

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## Management abstracts

Recapturing the ultimate weapon: quality. *J R Houghton in Directors & Boards (US), Summer 88 (3 pages).*

An address by the chairman and CEO of Corning Glass Works explaining his organisation's decision to fight Japanese competition by attention to total quality. Summarises steps taken and results achieved; among the former is training shop floor workers in basic statistics.

The camera-ready executive. *J. Stiller in Across the Board (US), Oct 88 (10 pages).*

Contents that a powerful photograph of the CEO can work wonders for an annual report by reflecting the company's leadership, direction and goals - but only if the CEO, his/her staff, and the report designer work together and agree precisely on what they want the picture to say. Backs up the argument anecdotally and pictorially.

The two best customers in the world. *D V Potter in Business Horizons (US), Sept/Oct 88 (4 pages).*

Advises chief executive officers to use the "two best customers in the world": customers and competitors. Customers, through their buying decisions, advise on value and price; competitors express views on costs through relative profitability, measured by return on investment. Cites numerous examples to drive home the point.

Negotiating with a customer you can't afford to lose. *T C Keiser in Harvard Business Review (US), Nov/Dec 88 (4 pages).*

Contents that the best response to aggressive but important customers is a kind of assertive pacifism rather than joining battle, leaving the field, or compromising. So, what's the difference? Summed up, assertive pacifism means refusing to fight or cave in, but duck, dodge, parry and keep opening new doors to try to draw the customer into a creative partnership to find a solution. For these negotiations, puts forward eight key strategies, such as keep track of the issues (saving the hardest until last), start high and concede low, and don't succumb to emotional blackmail.

These abstracts are condensed from the abstracting journals published by Ashar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p) sent with order to Ashar, PO Box 22, Wexley WA5 8SL.

## Chief executives

# A very determined breed

Michael Skapinker on the characteristics of top managers

Are British chief executives a breed apart? What distinguishes them from directors who never quite make it to the top?

Some researchers think they have found at least one of the answers: high achievers are more likely to be eldest or only children. But David Norburn, director of the Imperial College Management School, says his own research suggests that position in the family is of little importance.

The factors which do seem to affect directors' chances of becoming chief executive, he says, include place of birth, education and the number of positions they have held in the same company.

The purpose of Norburn's research was to test the hypothesis that chief executives have different characteristics from the other members of the top management team. Previous research led him to believe that chief executives might differ from other senior managers in three ways.

### Backgrounds

He thought that they might have different corporate backgrounds from their top management team - that they might have done different jobs or held different positions. Second, he thought that chief executives and other members of the senior management group might see themselves differently. His third hypothesis was that chief executives would have different personal and educational backgrounds from those of the other directors.

To carry out the research, Norburn wrote to the chief executives of 450 of Britain's leading companies asking whether they would participate along with the three executive directors that they considered to be part of their top management team. A total of 108 chief executives responded, along with 310 executive directors.

On his first hypothesis - that chief executives would have a different corporate background from that of the senior management team - Norburn found that they had been with their companies for longer than the other executive directors.

The chief executives had worked for their companies for a mean period of 26.6 years, compared to the members of the top management team who had been with their organisations for 16.5 years. The chief executives had also worked for fewer corporations than the top management team - 2.5 as compared with 3.2.

Neither of these two conclusions was very surprising. The picture they give of chief executives, however, is of determined people who slowly and deliberately worked their way up through the organisational hierarchy. Their fellow directors, one might conclude, had led more adventurous lives.

Norburn's other findings, however, tend to refute this view. For one thing, the chief executives had worked in a greater variety of managerial functions than the members of the top management team. Most chief executives had also had an overseas posting.

Moreover, the chief executives were more likely than the other directors to have run their own businesses before joining their present companies.

"Rather than being blinkered, the evidence indicates that the chief executive has received a multi-functional, international grooming - an exposure to a greater number of varied corporate situations," Norburn says.

Were the chief executives more industrious than the other members of the management team? Norburn found that they did work slightly longer hours: 53.8 hours a week, compared to the top management team who worked 49.3 hours a week. They also spent a greater number of nights away from home on company business. They did not, however, take shorter holidays than the other directors.

democratic". The median score for the chief executives was four. The score for the other members of the top management team was six.

Unsurprisingly, the chief executives were more satisfied with their careers than the other directors. Given the chance to live their lives over again, the chief executives said that their career choices would be the same. The other directors said that they would do things differently. Many said they had considered self-employment as an alternative to their existing job.

On the third hypothesis - that the personal and educational background of the chief executives would be different from those of the senior directors - Norburn found that position in the family and parents' marital status were of little importance.

A more significant factor was where the executives had grown up. The top management team tended to come from Scotland, Wales and northern England. The largest proportion of chief executives - 35 per cent - came from London. As many as 17 per cent of the chief executives grew up outside the UK, usually in some part of the old British Empire.

### Education

The chief executives also had different educational backgrounds from the top management team. Despite the current government demigration of arts degrees, Norburn found that a liberal arts education was more likely to get a manager to the top than a science degree. It was the chief executives who tended to have arts degrees; their subordinates were the ones with science degrees.

The major unifying characteristic which distinguishes the chief executive is exposure to multiple experiences," Norburn says. "In early childhood, the challenge of an urban cosmopolitan or colonial infrastructure. In education, cerebral development of a more general nature by an arts first degree. At the time of occupational entry, rapid exposure to different functions, followed by international commercial exposure."

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*Josephine Lito*







Stefan Wagstyl reports on the curious alliance of two corporate raiders from Japan and the US

# Boone Pickens goes East

Mr Kitaro Watanabe in the T. Boone Pickens of Tokyo. With a string of successful greenmail operations to his name, he has as fearsome a reputation for corporate raiding in Japan as Mr Pickens has in the US.

So when Mr Watanabe needed help with an assault that had gone wrong, it was logical that he ended up talking to the Texan billionaire. As a result, two weeks ago Mr Pickens became involved in Mr Watanabe's controversial attack on Koito Manufacturing, a company worth nearly \$1bn (£400m) and a close associate of Toyota Motor, Japan's biggest manufacturing company.

Mr Pickens's intervention has given an international dimension to a domestic corporate battle, raising the spectre of a threat to US-Japan relations at a sensitive time. The Texan's move has also shone an unwanted light into one of the market's darkest corners: the Tokyo stock market. Greenmail buying was in the hope of forcing a target company to buy them back at above-market prices - is not illegal in Japan. But last year, in an effort to stamp out the practice, a law was introduced to make the non-disclosure of large stakes illegal.

second-hand cars, and later luxury cars and real estate. Today he owns property in Tokyo and overseas, including two luxury hotels in Hawaii. He drives himself hard and once was told "I will never stop working because work is a romantic pursuit."

Like other wealthy Japanese, Mr Watanabe turned his attention to the stock market in the 1980s when Japanese shares began to take off, dealing mainly through two privately-owned interlocking companies, Asaba Motors and Asaba Construction. Mr Watanabe traded actively, with the help of borrowed money, much of it from the Mitsui Trust Bank.

Mr Watanabe started stalking Koito in late 1987. With annual sales of more than ¥100bn (£450m) the company is the country's largest automotive lighting company. Mr Watanabe's real target, however, was the Mitsui Trust Bank, which holds a 19 per cent equity stake. Some 40 per cent of Koito's output is sold to Toyota. It is widely known that Toyota regularly appoints senior executives to Koito; preserving that influence might be worth a considerable sum of money to Toyota.

buying shares on margin at several stockbrokers, including Daiwa Securities. By pledging his own Koito shares as collateral he managed to raise his stake gradually to an estimated 40m shares, or 25 per cent of the equity, by September 1988.

Mr Watanabe first approached Toyota long before the autumn of 1988 but was rebuffed. Toyota would not pay anything for the price he demanded. Mr Watanabe's friends in politics heard of his distress. Last summer, Mr Abe intervened on Mr Watanabe's behalf, personally contacting Mr Rii Toyota, chairman of Toyota. Even though Mr Abe is close to the Toyoda family, his move failed - Toyota is less susceptible than most Japanese companies to political influence.

In the meantime, Mr Watanabe found he could rely less on Mr Nakajima of Mitsui Trust Bank. From the middle of last year, the finance ministry became more aggressive in its attempts to discourage greenmail. Mr Nakajima could not afford to float the ministry's wishes openly. Increasingly desperate for support, Mr Watanabe went abroad. Last year, he met Mr Les Iacocca, the outspoken head of Chrysler Motor, and it is rumoured in Tokyo that he raised the question of Koito then. But Mr Iacocca was not interested.

Mr Tsutomu Ohshima, executive vice president of Toyota, said: "What on earth does Mr Pickens want?" However, reports soon began circulating that the Watanabe-Pickens deal was not all it appeared to be. According to those close to the finance ministry's investigation, some of all of Boone's 23.8m shares of Koito stock are covered by a repurchase agreement - under which Mr Watanabe undertakes to buy back the shares after a fixed time.

Tokyo stock market analysts believe that Mr Pickens has, in effect, lent his name to the repurchase agreement - under which Mr Watanabe undertakes to buy back the shares after a fixed time. However, if Mr Watanabe hopes Mr Pickens's name will frighten Toyota he has so far been disappointed. The company says it will not pay current prices.

Mr Watanabe may also have envisaged a conflict on a much higher level. Mr Pickens has already pointed out that while Japanese companies are free to buy US companies, American companies find it very hard to make acquisitions in Japan. It seems extremely unlikely that the US authorities would choose to back a figure as controversial as Mr Pickens as a standard-bearer for their efforts to open Japan's capital markets - but influential congressmen and senators might do so. For all the controversy that surrounds him, Mr Pickens has some powerful supporters. He is also thought to have political ambitions in his home state of Texas, where a quick round of Japan-bashing would do his cause no harm.



Kitaro Watanabe: 'Work is a romantic pursuit'

Toyota - with vital interests at stake in the US - might just decide not to risk a battle over Koito. In any case, the company has in the past indicated that the issue is not one of principle but of price.

In the meantime, the finance ministry and the Tokyo Stock Exchange are trying to establish whether any laws or regulations have been broken. A key part of anti-greenmailing measures introduced last year was a rule requiring the disclosure of stakes of 10 per cent or more. This came into effect on October 1. But no disclosure of the Koito stake was made until March this year - by Boone, not by the Asaba group.

Finance ministry regulations also ban parking shares in stockbrokers' accounts to disguise their true ownership. In September of last year the registered owners of much of Koito's stock were securities companies, including Daiwa. If these were shares bought by Asaba on margin then regulations were not broken, but if they included shares deposited as collateral then they may have been.

The stock exchange is examining trading in Koito shares just before the Boone stake was announced, to see if there was any insider trading. The Boone stake was announced on Monday April 3; in the week

ending Friday March 31, Koito shares shot up 26 per cent. In his only comment to the Japanese press, Mr Watanabe has denied violating the law in the sale of shares to Boone. Boone also said that it conformed with the law. However, Koito is refusing to register the ownership of Boone's shares until after the authorities complete their investigations. It is pinning its case on a regulation which requires the Government to investigate the foreign acquisition of a company making aircraft parts. Two per cent of Koito's turnover is in aircraft parts.

The investigations are not important for the penalties they may bring on to Mr Watanabe's head - for they are small - but for the way they highlight a change in attitude in Tokyo. Two years ago, when Mr Watanabe started his assault, the finance ministry would never have been as zealous in examining the case as it has been now. But a series of stock market scandals, culminating in the explosive Recruit affair, has changed everything. In the markets, as in politics, people are at last acknowledging that white is white and black is black and they will remain so tomorrow. The days are gone when everything appeared in indistinct, ever-shifting and uniquely Japanese shades of grey.

## LOMBARD Bowing to the inevitable

By David Barchard

THE ARGUMENTS that have raged in recent weeks over Abbey National's decision to shed building society status and become a bank have all overlooked one fact: it is by no means the first building society to take this step.

Offshoots of the British building society industry sprang up in several former British territories earlier this century. In the late 1970s there were around 120 building societies in Australia (about the same number as in the UK today), and about a dozen in South Africa.

British building societies have been keeping a careful eye on both sets of sister societies for several years. Most large societies have sent at least one top executive out to Australia in the last two years. Now a study of the Australian and South African industries has been published by John Wriglesworth, building societies analyst at UBS Phillips & Drew. The picture he paints suggests that after last week's landslide vote for conversion by Abbey National members, Britain's societies should be bracing themselves for a coming whirlwind.

Deregulation came to both the Australian and South African financial services in the 1980s, as in Britain, but - with attachment to the past less strong in both those countries - its impact on building societies was much swifter. In South Africa, societies gained the right to convert in 1986. Within a few months, United Building Society had shed mutual status in the largest listing ever seen on the Johannesburg Stock Exchange. Three years later, all large building societies are now equity based, and only six small mutual societies remain. In Australia, there are still 53 building societies left, but all but one of the larger societies have opted to become banks. Even those wanting to keep mutual status have had to bow to pressure from the markets. In South Africa, the staunchest supporter of mutualism was the Fern, the second largest society. In March this year, it ended up as the willing prey to a takeover from a bank.

have been star performers on the stock market. One former society's price has risen nearly 400 per cent since its listing in 1985. The post-conversion stockmarket performance of Australian and South African building societies may be a better guide to Abbey National's prospects than the frequently-cited comparison with TSB.

Once the genie of conversion was uncorked, it worked much more fiercely than had been anticipated, leaving little of the original character of the old building societies. To protect themselves from predators, the former building societies in Australia wrote 10 per cent maximum shareholding provisions into their Articles of Association. Nevertheless, last December, the Australian public was offered the entertaining spectacle of a hostile bid launched by Advance Bank (formerly the New South Wales Building Society) upon Challenge Bank (formerly the Perth Building Society).

The changes have been distressing to defenders of mutualism in both countries. But when members were called on to vote, resolutions on conversion to bank status were passed almost unanimously in all cases, though on a much smaller turnout than in the Abbey National vote.

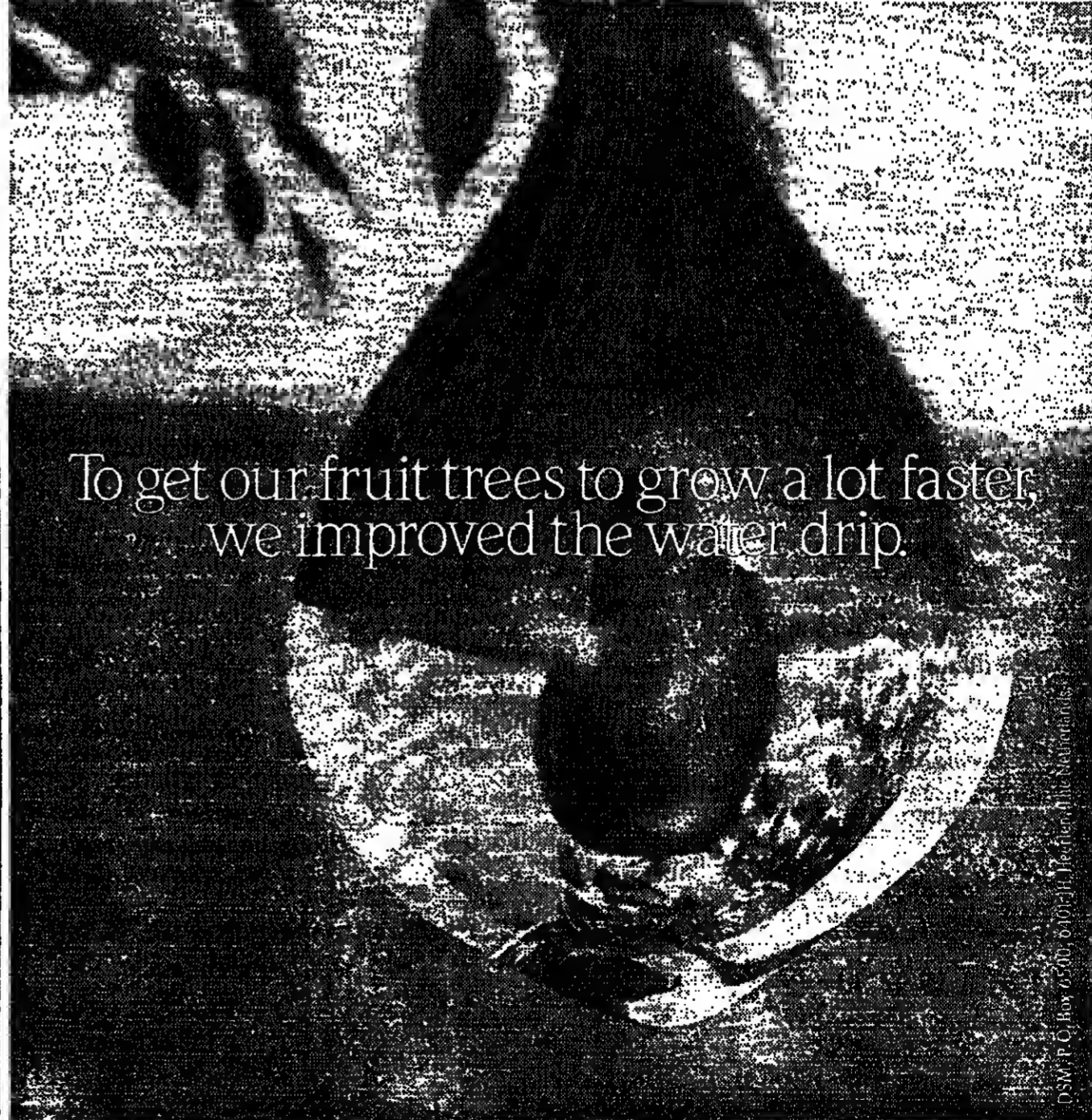
Australia's largest society, the St George's, has so far been able to swim against the tide, helped by a strong market image and by the ability to issue tradeable "permanent shares" to members. But this was not so much an alternative to flotation as another route to it. "Having got used to servicing dividend-hungry permanent shareholders," writes Mr Wriglesworth ("St George's) admits that it is already a quoted company in all but name.

Small building societies - which are perhaps closer to the original vision of their mutualist founders in the last century - have continued in both Australia and South Africa. But what Mr Wriglesworth's study seems to suggest is that, in deregulated financial services markets, the conversion of large building societies into quoted companies is not so much good, bad or sad, as inevitable.

It used to take four to six years for a fruit tree to produce fruit. And people always had this dream of faster and better harvests. Now DSM, one of Europe's largest chemical companies, has helped realize this dream. In co-operation with the Research Station for Fruit Growers in Holland, the researchers at DSM have developed a completely new fertilising technique for north-west Europe. They call it 'fertigation'. It uses the environmentally benign drip irrigation system. The drip, however, is enriched with a special fertiliser which is fully soluble in water. Thus the roots receive, drop by drop, moisture and nutrients. In exactly the right amounts. The results are remarkable: since we improved the drip, we've been able to harvest at least a year earlier. And both the yield and the quality have improved tremendously. Fertigation is one of our technologies which is certainly bearing fruit.



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## LETTERS

### Nepal's independence

From Mr Simon Abraham. Your article on Nepal (April 12) presented itself as "the background to the present policy of economic attrition (by India) against Nepal." But your correspondent fails to mention Nepal's fear of losing its independence. India's generally hostile intent towards its neighbours, and a similar trade embargo by India in 1975. India, since it gained its own independence in 1949, has invaded, annexed or militarily occupied more of its neighbours than any other country in the world: Goa, Pondicherry, Bangladesh, Sri Lanka, the Maldives Islands and Sikkim. All of India's remaining neighbours are acutely aware that they remain potential targets.

### Two-tier boards

It should also be noted that the 1976 annexation of Nepal's Himalayan neighbour, Sikkim, caused great concern in Kathmandu, and led to anti-Indian demonstrations which resulted in several deaths. India objected to Nepal allowing the demonstrations to take place, and put a trade embargo on the country as punishment. This crippled Nepal's development for several years. It can therefore be said that the current problems are not unexpected, and that Nepal's fears of having its independence curtailed are fully justified. Simon Abraham, 1088 Fort Avenue, New York City, New York 10128 US

### 'Locally' controlled parking

From Mr Simon Randall. Sir, Drastic action is indeed needed to relieve the traffic-choked streets of London (FT report, April 12). But one simple measure which would have a big effect has been overlooked by the group of Conservative MPs suggesting their own more radical measures. The London Metropolitan Police issue some 2.5m fixed penalty notices a year. But set against this, it is estimated that there are over a third of a million parking offences in the capital every day - so 49 out of every 50 offenders go unpunished. Is it any wonder, then, that illegally parked vehicles cause so much chaos on the roads and streets of London? The answer is to transfer responsibility for parking enforcement from the police to local authorities, which are in any case responsible for traffic regulations. They could employ their own parking control officers to keep traffic in the city streets moving. Wages and costs would be met from parking fines, and detailed costings show that the whole scheme would be self-financing. Such a scheme would also free the police for other duties. The Home Office is currently considering these proposals. Let us hope for an early agreement. Simon Randall, Chairman, Housing and Works Committee, London Boroughs Association, Westminster City Hall, Victoria Street, SW1

### Landowners' CGT relief

From Mr Adrian Baird. Sir, Anthony Rosen criticises the present capital gains tax provisions which allow the roll-over of gains from land sold with planning permission (Letters, April 4). CGT roll-over relief does not provide an exemption from tax, but rather a deferral of the tax charge. In the example Mr Rosen gives, the farmer selling the land to the person claiming roll-over relief will pay tax immediately on the gains he realises. So will the purchaser, if ever he sells the land acquired (on any gains made on that land, as well as the gains previously rolled-over). In no sense does this amount to an avoidance of tax. Furthermore, why should roll-over relief be restricted to a reinvestment in assets used in the trade in which the taxpayer was formerly engaged? Reinvestment in other trades caters for the diversification so especially needed in agriculture at the present time, when farm incomes are in decline. In any case, the private sector is better than the public sector at looking after investment capital. The present roll-over relief allows the private businessman to make a reinvestment of capital not by avoiding but by postponing payment of CGT (which itself is a thoroughly complex and bad tax). It is doubtful whether the Treasury could make a better distribution of that capital. Adrian Baird, Country Landowners Association, 16 Balgrove Square, SW1

### 'YTS certainly has its merits within our industry'

From Mr Tony Kaebble. Sir, Fiona Thompson ("YTS falls as job training vehicle," April 11) makes a rather sweeping condemnation of the youth training scheme, concluding that "... the potential of YTS as a substitute for apprenticeship schemes remains for the most part unrealised." She writes: "... only one in four trainees acquires a recognised qualification and the worth of some of those qualifications has been questioned." I cannot speak for other industries, but I can say that the unique thinking of YTS status, and therefore its funding

### incentive, within our own printing skills training scheme, has almost certainly advanced our trade more by as much as 50 per cent over the last four years.

As the first industry to abolish apprenticeships and replace the system with a standard based modular training scheme, we have also been highly satisfied with the quality of training which is being offered under this system. Trainees do not simply earn a qualification for the job. They are equipped for life, because the flexibility within our training scheme allows for training updates throughout a working career. In the printing industry, which has progressed rapidly with technology, this can mean as much as four times during a person's normal working life. Without the incentive of YTS at the forefront of our printing skills training scheme, I doubt whether we could have achieved nearly as high a success rate as has already been proven. I might add - again relating to the presumed concerns of trade unions - that within printing we have the full co-operation of both the National Graphical Association (NGA) and the Society of Graphical and Allied Trades (SOGAT), which last year

### joined with us to promote the scheme further.

This is why, as an "A" graded non-statutory approved training organisation, we are at the forefront of the campaign to retain some continuity of the present system, and in particular to manage the interface with the proposed Training Enterprise Councils, promoted in the Government's recent education white paper. While YTS is hardly a perfect system, it has its merits, certainly within our industry. Tony Kaebble, British Printing Industries Federation, 11 Bedford Row, WC1



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FINANCIAL TIMES  
COMPANIES & MARKETS

Monday April 17 1989



INSIDE

A succession of bolts from the Blue

Britain's Blue Arrow has been bedeviled by controversy since it took over Manpower of the US in 1987. But in the past fortnight, attention has focused on a £25m interest-free loan facility it extended to a property development scheme controlled by Peter de Savary, the yachtsman and entrepreneur, who has bought John O'Groats and Land A End and more than a few ports-of-call in between. Page 33

Swapping companies the Snooks factor



GEC, the British electrical group, has been criticised in some quarters for its spate of recently announced joint ventures. But, argues Christopher Lorenson in the Business Column, this may be unfair to the company and ignores the "Snooks factor" - the possibility that GEC will make a full swap of businesses with its new partners some way down the road. Page 44

Exception to the bond market rule

Bond markets rally for all manner of reasons but only unusually at a time of rising inflation. And rarely in the face of an uncertain currency. Last Friday was an exception. Despite fresh evidence of rising producer prices and a modest weakness in the dollar, the US Treasury market had its best day all year. James Buchan explains why. Page 32

Return of the profit motive

The Eurobond market needs to return to profitability. That is the wish of Michael von Brentano, (left) chairman of the International Primary Market Association, who last week made the industry's first public acknowledgement that its unprofitable nature - the result of overcapacity and the chasing of market share - is an issue that needs to be addressed. Page 30

Market Statistics table with columns: Base lending rates, European swap, FT-SE World indices, US bond prices/indices, London recent issues, London share services, and Traditional options.

Companies in this section

Table listing companies such as Alcoa, American Medical Int, Blue Arrow, and others with their respective page numbers.

Assault and battery recidivist

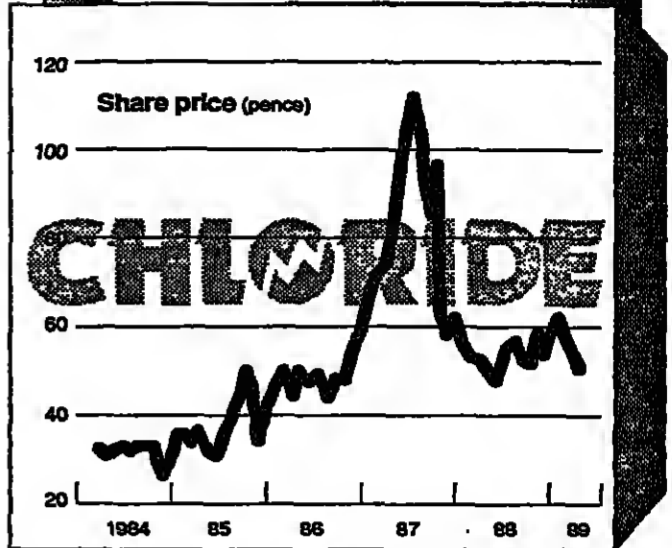
Nikki Tait looks at Chloride's long trail of corporate mishaps

AS CORPORATE mishaps go, British battery-maker Chloride takes the cake. Following its expansion-minded heyday under the leadership of Sir Michael Edwards in the early 1970s, the company caught the full blast of early 1980s recession. In the decade to mid-1987, it generated a negative cashflow of £100m (£170m) and faced vociferous shareholder dissent. The comings and goings in the boardroom seemed akin to an up-tempo game of musical chairs - with Sir Michael, who had quit his executive role to take charge of carmaker BL, becoming non-executive chairman in 1983.

Lithium battery group. For 1986/7 and 1987/7, pre-tax profits were at least respectable, at £17m and £18.2m respectively. Then on Friday, the clouds descended again. This time it is Mr Price who is departing, leaving a boardroom packed with Edwards-recruited, former Austin Rover executives. Out, too, goes the motive power business, the batteries of which are used in the likes of forklift trucks, milk floats and golf buggies. This was a surprise to the City, which had been awaiting, and fervently seeking, the much-heralded disposal of the European automotive battery operations.

reduced demand" for replacement batteries. The company sang a not-dissimilar song last year and, although Mr Kent Price forecast that the European automotive battery business would make its first profit for a decade in 1989, analysts agree that it has almost certainly been loss-making. County NatWest, the company's broker, suggests that the deficit may run out at around £3m.

have taken longer to materialise than anticipated." So where does this leave the group? The extent to which the sale of the motive power battery business was forced on Chloride by the deteriorating financial position is a moot point. Nevertheless, analysts are not entirely dismayed to see it go - although they do recognise that it is a good cash-generator and makes low demands on capital expenditure.



divides sharply. The bulls note that Chloride has been building its market positions in standby power and emergency lighting, while its automotive/industrial battery interests outside Europe remain well-placed. The bears, by contrast, point out that some of these ongoing markets are themselves competitive, and remain sceptical until the full facts of the current situation are spelt out. As for the share price, it fell 5p to 49p on Friday. Analysts were guessing that profits could be anything between £10m and £15m. With the divided question-mark, it is hard to point to a secure yield prop. So opinions divide. "The shares on fundamentals should be no more than 40p," says one analyst. "The price has got the bad news in it, and on a break-up basis could be worth 80p a share," declares another.

Policy under a political stalemate

SOMEONE seems to have the old Chinese curse inside out. We live in interesting times, but on balance they seem hopeful rather than threatening ones. The Communist world is edging towards counter-revolution, and Western Europe towards something like genuine unity. The news of this hemisphere, it is true, is not so good. Latin American democracy looks increasingly fragile, and the six-and-a-half-year-old US economic expansion is becoming anaemic. Bets on a seventh year are now at more attractive odds.

As everyone knows, there has been an explosion of drug-related murders in Washington: one a day last year, and possibly as many as two this year. You might imagine that all of us who live here go about in fear of our lives, but in fact the dangers have had no impact at all in the administrative centre, or the comfortable, leafy north-western section of the city. It is confined to certain well-defined sections of the black two-thirds of the city.

is supposed to deter people who are apparently not discouraged by a high chance of getting shot. This suggests that Mr Bennett is a stupid man, but he is not. He is simply succumbing to what is emerging as a besetting sin of the Bush administration - playing to the opinion polls. The American public seems to have been conditioned to the idea that the way to confront any problem is to act tough. Firepower must be answered with firepower - and even with aerial herbicides. At least during the Vietnam war there was an effort at a heavy and mind campaign. Now even that enlightenment is missing.

Congress had accommodated all the special interests which finance its campaigns, most of the simplicity had gone. Even the tax accountants are confused. Mr Bush is trying to get to the root of one part of this problem with his ethics code, which proposes to forbid Congressional candidates from taking funds from political actions committees; if it were passed into law (which seems improbable), this would reduce the leverage of special interests.



By Anthony Harris in Washington

ject of the pact, simply prescribes the totals which the various Congressional committees must achieve in their decisions.

In fair weather this ramshackle system works remarkably well, even with a cautious President and a hostile Congress; and in a real crisis the whole system can be galvanised into something formidable. Real life, unhappily, usually avoids these extremes - neither a calm nor a storm, but usually obdurate or foggy - or both. It is in these conditions that the Bush bipartisan system may behave a little like the carefully tuned automatic pilot which ran the Exxon Valdez onto a reef.

Economics Notebook

Warning in job vacancy ratios

A DECADE ago, the suggestion went to a little below 2m could lead to accelerating wage and price pressures would have been imposed. Last week, as official figures showed wages and salaries per unit of output rising at more than 8 per cent a year, nobody in the City was laughing. Despite the high level of joblessness, reports of skilled labour shortages are commonplace. The worry in inflation-fearing financial markets is that wage cost pressures could demand as the main cause of inflation.

tion of labour. Moreover, the ratio was almost certainly lower in the early 1970s. Back in the 1950s there were even periods when official figures showed more vacancies than unemployed. However, despite the high level of unemployment, the prolonged fall in the U/V ratio is almost certainly flashing warning signals about labour cost pressures. That the ratio is higher than in the past merely highlights the problem of mismatches in the labour market.

that the effectiveness of monetary policy has fallen. Firstly, it says, the convergence of long-term international interest rates may simply reflect the convergence of inflation rates. Differentials between average rates of consumer price inflation have narrowed among leading industrial nations during the 1980s, it notes. Secondly, if the Government's anti-inflation stance has achieved greater credibility, long-term rates would logically be more stable and less responsive to variations in short-term rates. A third reason is that if long term interest rates are more stable, a small change could have as much effect as a large change in an unstable environment.

THIS WEEK

THE spending behaviour of the UK consumer could provide a theme for financial markets this week, possibly affecting speculation about further rises in base rates. Today's retail sales figures will provide clues about the impact of high interest rates on spending in shops. February's figures showed a 3.1 per cent rise compared with the previous month, suggesting the expected slowdown will not be soothed.

UK retail sales

Table showing UK retail sales volume (seasonally adjusted) for 1980-1988, with a line graph showing the trend over the period.

ures have intensified fears of rising inflation. The consensus is for a 0.5 per cent rise in the index, after 0.4 per cent in February. In France, figures for industrial production in February are released on Thursday, providing a guide to the strength of output. Detailed national accounts, including measures of gross domestic product are published on the same day. Australian trade figures are released tomorrow. Analysts will be looking for signs of improvement after a \$1.2bn (\$66m) deficit in February. West German money supply figures are expected some time this week. The Bundesbank council meets on Thursday but no change in interest rates is expected.

Advertisement for Harvard's Program of Instruction for Lawyers in Madrid, July 10-21, 1989, managed by Instituto de Empresa. Includes logos for Universidad Complutense de Madrid and Harvard Law School, and lists various courses like Law and Theory of Restraints, Mergers and Acquisitions, etc.



INTERNATIONAL CAPITAL MARKETS AND COMPANIES

### Havas to link travel side with Wagon-Lits

By George Graham in Paris

**HAVAS, THE French advertising and media group, is to merge its French travel agency business with that of Wagon-Lits, the Franco-Belgian travel and sleeping car group.**

The two groups will create an equally-owned joint venture, whose name has yet to be decided, which will control nearly 600 sales outlets and have a sales volume of around FF7bn (\$1.1bn).

The joint venture will in turn be closely linked to Wagon-Lits' international travel agency network, ranking a group expected to rank third in the world.

Both partners have similar sales volumes in France, but Wagon-Lits, which has developed the business travel segment, has fewer outlets than Havas Voyages, which has points of sale covering the whole French territory and focused on consumer travel.

Mr Antoine Vell, chief executive of Wagon-Lits, has been seeking to expand its international distribution network, approaching first Thomas Cook, Wagon-Lits' traditional competitor.

The French Government has recently been scratching its head over how to improve France's performance in the tourism industry, and officials have welcomed the process of concentration begun in recent months.

### SSMC takeover completed

By Michael Murray in Hong Kong

**HONG KONG listed Semi-Tech Microelectronics (Far East) has completed the takeover of US-based SSMC, the consumer durables company best known for its Singer sewing machines. The deal represents the first Hong Kong takeover of a company listed on the New York Stock Exchange.**

The completion of Semi-Tech's successful tender offer followed a holding war with a group of Malaysian investors.

### Plan for electronic debt auctions

By Janet Bush in New York

**A NEW telecommunications service which would allow investment managers to bid directly for US corporate debt through an electronic auction will be formally announced today by CapitalLink Securities and J P Morgan Securities.**

Investment managers will be able to participate in the auction simply by using a floppy disk provided by CapitalLink and a personal computer modem. The service is free for bidders with all costs paid by the issuer of publicly registered bonds.

CapitalLink and J P Morgan have demonstrated the new system, which is clear and simple to use, to about 100 invest-

ment managers and 50 corporate clients and expect to hold the first auction in mid-year, depending on the appropriate market conditions.

They intend to offer this service, at least to start with, for the issue of "plain vanilla" corporate debt.

Mr David Jeffrey, president of CapitalLink, developed the idea of an auction for simple types of corporate debt which would be less complicated and cheaper for both corporate issuers and investors.

The auction would bypass the underwriting system and Mr Jeffrey estimates an issuer would pay a fee of 0.2 per cent compared with the 0.8 per cent

underwriting commission payable on investment grade corporate debt.

CapitalLink auction offers investors a more transparent market. While plugged in for the auction, the investor can judge demand and pricing as other bids are recorded on the screen.

Mr Jeffrey believes that the direct auction is an appropriate response to the increasing sophistication of both issuers and investors, many of whom have the expertise and do not want to go through an intermediary.

J P Morgan was approached by Mr Jeffrey, who needed the backing of a major name in the

financial industry to market the system as well as the potential access to J P Morgan's corporate client base. It is likely to be a J P Morgan client who will accept the challenge of being the first issuer.

Mr Claus Löwe, managing director of J P Morgan Securities, said the idea was attractive to the bank partly because it had faced severe restrictions on its ability to underwrite debt and the auction system offered an alternative way for its clients to issue corporate debt.

Mr Löwe believes the auction system will gradually replace underwriting for "plain vanilla" debt.



Carlo De Benedetti controls Mondadori publishing

### L'Espresso bid stocks to resume trading

By John Wyles in Rome

**TRADING will belatedly resume today in the stocks involved in the takeover of the L'Espresso publishing company by Arnaldo Mondadori Editori, Italy's largest publisher which is controlled by Mr Carlo De Benedetti, after an intervention by the Consob, the stock exchange regulator.**

First-quarter net income fell from \$45.6m or 26 cents a share to \$33.5m or 22 cents on an increase in revenues from \$416.9m to \$423.1m.

A succession of mergers and restructurings at New York City department store chains has caused a fall in retail advertising at the paper.

### Computer groups urged to settle copyright dispute

By Louise Kehoe in San Francisco

**THE judge hearing the software copyright dispute between Apple Computer, Microsoft and Hewlett-Packard - widely regarded as one of the most important cases in the history of the computer industry - has encouraged the parties to discuss settling their differences.**

Setting a schedule for the proceedings in the case that could delay any hearings for as long as 12 months, the judge said that it was his hope that this schedule would "serve as a stimulant to settlement discussions."

Apple declined to say whether any discussions between the companies were already under way.

Microsoft said it "is always open to talk," while HP said it was eager to get on with the proceedings and "put this behind us."

The company's lawyers declined to comment on any discussions that "may or may not be under way."

At issue are programs developed by Microsoft and HP to

provide IBM-compatible personal computers with a graphical user interface similar to that of an Apple Computer's Macintosh, with icons, overlapping windows and pull-down menus.

Apple claims that the programs used by the others infringe its copyrights.

Hewlett-Packard has, however, filed a counter suit claiming that Apple's copyrights are invalid because the visual displays used on the Macintosh were derived from earlier programs developed at Xerox and elsewhere.

The court has already rejected Microsoft's contention it had obtained rights to Macintosh interface through a 1985 licensing agreement.

Unless an out of court settlement is reached, the court must eventually decide whether the "look and feel" of a computer display can be protected by copyright.

All three companies have substantial investments in software development riding on the outcome of the case.

### Alcoa leaps by 54% to further peak

By Roderick Oram in New York

**ALUMINUM COMPANY OF America, the world's largest aluminum producer, has turned in another record quarterly profit thanks in part to strong earnings from its Australian and Brazilian units.**

Net profits for the three months ended March 31 rose 54 per cent to \$276m, or \$3.12 a share, from \$178.7m, or \$2.02, a year earlier. Sales rose 25 per cent to \$2.7bn from \$2.12bn.

Healthy demand for its products and favorable economic conditions over the past 15 months continue, said Mr Paul O'Neill, chairman. "Demand worldwide remains strong. Customers do not appear to be holding inventory. Alcoa's inventories are up by design in the first quarter in anticipation of reduced production rates this summer at the Davenport, Iowa, sheet and plate mill due to modernisation work."

Alcoa's Australian and Brazilian subsidiaries accounted for 44 per cent of the company's first quarter profits against 20 per cent a year earlier thanks to higher prices for ingots and slabs.

The group's worldwide shipments rose 14 per cent in the quarter to 611,000 metric tonnes. It earned a 21.8 per cent return on shareholders equity at an annual rate, up from 17 per cent a year earlier.

### Merger costs hit Time profits

By James Buchan in New York

**TIME INC, the large US publishing and broadcasting group, reported sharply lower profits for the first quarter of this year because of heavy expenses in arranging its planned merger with Warner Communications.**

Time said it booked \$15m in expenses, or 22 cents a share, to cover the costs of lawyers and investment bankers working on the giant deal with Warner, which was announced on March 4.

These costs were the main reason for the 26 per cent drop in Time's net income in the first quarter ended March, from \$68m or \$1.13 a share in the 1988 first quarter to \$48m

or 87 cents. Revenues rose modestly from \$1.07bn to \$1.14bn.

Profits were also clipped by higher interest costs on money borrowed to finance new investments in magazines and cable television. The company also had a lacklustre quarter in its main magazine business.

Though magazine revenues rose 7 per cent to \$438m in the strength of circulation increases by Sports Illustrated and People, operating income fell from \$70m to \$61m because of increased postal expenses and new development costs.

Profits rose in the programming and cable television divisions but the books divi-

sion only managed to break even.

The New York Times Company, which publishes a string of newspapers and magazines and operates television stations, continued to suffer lower earnings because of poor advertising volume at its flagship newspaper.

First-quarter net income fell from \$45.6m or 26 cents a share to \$33.5m or 22 cents on an increase in revenues from \$416.9m to \$423.1m.

A succession of mergers and restructurings at New York City department store chains has caused a fall in retail advertising at the paper.

### Fokker swings back into profit on doubled sales

By Laura Raun in Amsterdam

**FOKKER, the Dutch aerospace company which hopes to buy Short Brothers of Northern Ireland, swung back into the black with a slim FI 13.3m (\$6.2m) net profit in 1988 from a FI 107m loss the year before. Sales nearly doubled to FI 2.05bn from FI 1.06bn.**

A dividend was passed for the second consecutive year in light of what Fokker called a "modest" profit. But the maker of short-haul and medium-haul aircraft said it "regards the future with confidence, especially in view of the current

order book."

Fokker has won a spate of huge orders in recent months and is trying to step up production. It has jointly bid with GEC of Britain for Shorts in order to guarantee a steady supply of wings for the Fokker 100. Shorts makes the wings for the 100-seat plane.

Fokker's turnaround was achieved by subsidiary companies such as leasing firms and an aerospace parts concern. They contributed FI 8.55m last year compared with FI 4.65m in 1987.

### Bass puts AMI under pressure

By James Buchan in New York

**AMERICAN Medical International, the US hospital management group which is being pressed by leading shareholders to sell or restructure its business, has received a further prod from two members of the Bass family, writes James Buchan.**

In a filing with the SEC that became public on Friday, Mr Sid Bass and Mr Lee Bass of the Fort Worth family said they were considering seeking control or taking other steps to maximise shareholder value.

AMI has also received an offer of \$1.65bn or \$24 a share from a group led by a big shareholder, Mr Lee Pearce.

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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Rally looks like a flash in the pan

BOND MARKETS rally for all manner of reasons but only unusually at a time of rising inflation. And rarely in the face of an uncertain currency.

Last Friday was an exception. Despite fresh evidence of rising producer prices and a modest weakness in the dollar, the US Treasury market had its best day all year.

The 30-year Treasury bond, which is the most volatile major issue because of its long maturity, rose 1 1/2 percentage points to set a benchmark for long-term interest rates of under 8.03 per cent.

Yields on three-month Treasury bills fell by a quarter of a percentage point. The equity market also recorded its biggest daily rise for the year at the prospect of cheaper money.

Even those hybrids of stocks and bonds - junk bonds - managed a modest recovery after several days of heavy selling pressure. By the end of the week, every thing looked just dandy.

But Friday's credit market rally looks suspiciously like a flash in the pan.

marked improvement on the increases of 1 per cent a month recorded in January and February. Meanwhile, manufacturing activity was steady or even slowed down in March.

Industrial production was unchanged for the second month in a row while the factory operating rate, which has been high enough to suggest the danger of shortages and higher prices, fell to 84 per cent from 84.2 per cent in February.

All these reports were much better than a bearish market expected. But they may not be as good as they seem.

The increase in producer prices, at 0.4 per cent a month, still translates to wholesale price inflation of 5.5 per cent a year - as against inflation of only 4 per cent in 1988.

Prices of crude goods rose a steep 2.7 per cent in March, which suggests that an inflationary bulge has still to work its way through the production process. And the April rise in producer prices is likely to be quite steep because gasoline prices have risen in response to the Alaska oil spill.

Meanwhile, a slowdown in manufacturing is the last thing the US needs. US industry must export capital goods if it is to tackle its trade imbalances with the rest of the world. But the Commerce Department on Friday reported that exports added in February to \$10.5bn, up from \$8.8bn, with imports rising and exports stagnant.

The trade report was no worse than the credit markets expected and it was lost in the general relief at the slowdown

in producer prices. But the foreign exchange markets were less enthusiastic, with the dollar dropping more than a penny against the D-Mark and half a yen.

Foreign exchange dealers say the dollar is being supported by a scaffolding of high short-term interest rates erected over the past few months by the Federal Reserve. But for all the bond market's insouciance, there must be a question whether the currency can hold in the face of deteriorating trade accounts.

As Mr Brusca puts it: "The dollar is being supported by financial fundamentals, not by real fundamentals. There is a possibility that people will see through the thin veil of financial support and the dollar will tumble. In the bond market, I'm not saying there aren't trading opportunities for a bet on the economy weakening. But there are very important self-limiting factors in any bond market rally."

With junk bonds, it is hard to know what is going on since the market, though large, is not very transparent. The market was on the way down all week and, on Thursday, prices of some issues fell by as much as a percentage point in rocky trading. This may have been to

do with the expulsion of Mr Michael Milken, the prime junk bond financier, from Drexel Burnham Lambert as part of the firm's deal with the Securities and Exchange Commission that day but this is not very likely.

Buyers of junk bonds are seeking risk and a high return like stock investors rather than the relative security demanded by a traditional corporate lender. Because junk bond issuers are highly leveraged and would suffer deeply in a recession, buyers of the bonds fear economic slow-downs. It is more likely that junk bond investors simply became agitated by prospects of a slowing economy that annoyed the Treasury market.

Traders also say that the market, though it encompasses bonds worth over \$160bn, is faced with a heavy offering of new issues over the next few weeks, perhaps amounting to \$20bn. The highest piece of this is Drexel Burnham's \$4bn financing for the leveraged buy-out of RJR Nabisco. These bonds are likely to be some of the highest quality ever offered on the junk bond market and it may well be that mutual funds and other professional investors are making room for them.

James Buchan

US MONEY MARKET RATES (%)

Table with 5 columns: Instrument, Last Friday, 1 week ago, 4 wks ago, 12-month High, 12-month Low. Rows include Fed Funds (weekly average), Three-month Treasury bills, Six-month Treasury bills, Three-month Treasury bills, 90-day Commercial Paper.

US BOND PRICES AND YIELDS (%)

Table with 5 columns: Instrument, Last Friday, Change on week, Yield, 1 week ago, 4 wks ago. Rows include 30-year Treasury, 20-year Treasury, 10-year Treasury.

NRI TOKYO BOND INDEX

Table with 5 columns: Instrument, Average, Last, 12 wks, 26 wks. Rows include Overall, Government Bonds, Municipal Bonds, Govt-sponsored Bonds, Bank debentures, Corporate Bonds, Govt-insured Foreign Bonds, Government 10-year.

UK GILTS

Learning from history - or not

IT IS axiomatic of markets that if they sell a commodity in anticipation of bad news which then fails to take place, asset prices will tend to rise. Witness the gilt-edged securities market on Friday.

The retail prices index rose by 0.4 per cent in March to take Britain's annual rate of inflation to 7.9 per cent. Something marginally worse had been expected and the market, which was also encouraged by Friday's US inflation and trade numbers, squeezed prices higher to end unchanged on the week.

The indications are that the market remains concerned about the UK's short-term prospects. Is the past a guide?

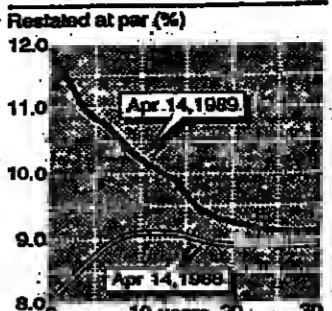
Regel, the 19th century German philosopher, once noted that the only thing history teaches us is that we never learn from it. Undeterred by this, Mr Gavyn Davies at Goldman Sachs has produced a study which, in comparing how the UK fared during and after five periods of boom and bust from the late 1850s until 1979, attempts an assessment of the 1980s and offers some disturbing thoughts on the short-term future.

Mr Davies' verdict on the 1980s is that the Government has been successful in arresting the decline of the 1970s but that UK economic performance has not returned fully to levels seen during the 1960s.

If the supply side had improved one would expect to see rising productivity, real output rising relative to infla-

'The verdict on the 1980s is that the Government has been successful in arresting the decline of the 1970s but general economic performance has not returned fully to levels seen during the 1960s'

UK gilts yields



tion, import growth falling relative to domestic demand, export growth rising relative to world trade, and the level of unemployment consistent with stable prices lower than before. On all of these measures, the UK during 1979-88 fared worse relative to the average performance throughout the previous five economic cycles. There were improvements. Manufacturing productivity rose at 4 per cent a year compared with an average of 2.7 per cent in the previous cycles since 1960. (Whole economy productivity was worse: 1.8 per cent a year against 2.3 per cent a year.) The inflation record was better. Inflation averaged 6.8 per cent during the 1979-88 cycle compared with the previous five, the good news is that inflation, which rose at 7.5 per cent a year, has been brought below the average of the previous 20 years (8.2 per cent a year) and that the latest cycle is the first

since the 1960s during which the rate of inflation has fallen. The past, however, does not suggest a bright future for the UK. The most important fact to note, he says, is that price inflation has continued to rise for eight quarters after the peak in the cycle was reached. The increase in price inflation following a cyclical peak in output growth can be quite large and has averaged 3.6 percentage points after one year and 6 percentage points after two years in the five downturns. If, as Mr Davies suggests, Britain's performance has been growth much lower (just 1.8 per cent a year compared with 5.3 per cent a year) during the 1979-88 cycle, the average acceleration in inflation during downturns in the 1960s and 1980s was around 3 to 5 percentage points from trough to peak. Three things mitigate a sim-

ple repetition of the past. Profits growth has been rapid and some of the anticipated rise in costs associated with a slow-down will be absorbed through lower margins; the relative shift in power to companies away from unions means they can be tougher on wage demands and shed labour more flexibly; and the investment boom should boost supply potential.

But taking these into account the bottom line is "past experience gives us little ground for hoping that price inflation will decelerate rapidly during the downturn and this must call into question whether the Treasury's forecasts for inflation will prove realistic." The Treasury's combination of 2 per cent growth and 4 per cent inflation in 1990 "is not consistent with previous cyclical experience."

What of trade? The balance of payments constraint has reappeared as it has done many occasions in the past. During the 1979-88 cycle Britain's trade has deteriorated relative to the past. Import volume growth has been faster (4.8 per cent a year) compared with 4.4 per cent a year from 1960-1979 and export growth much lower (just 1.8 per cent a year compared with 5.3 per cent a year). The upside is that history suggests the current account starts to improve after two quarters, although not rapidly.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

Large table listing international bond issues with columns for Issuer, Instrument, Price, Yield, and other financial metrics. Includes entries for various countries like Canada, France, Germany, etc.

Taiwanese fund launched

A VENTURE to invest in emerging Taiwanese companies has been launched by Berkeley Govett, the Jersey-based fund manager, which has raised US\$30m from UK institutions and others for the purpose. ROC Venture Company will

be managed by a unit of the Taipei-based China Development Corporation. The fund will be unquoted but according to Mr Charles Fowler, a director, it is hoped to "eventually obtain a listing as its underlying investments go public in Taiwan."

Advertisement for Kamigumi Co., Ltd. featuring the company logo, name, and details of a \$300,000,000 bond issue with a 4 1/4% yield due in 1993. Lists various international financial institutions as agents.

Japanese text at the bottom of the page.



UK COMPANY NEWS

The ongoing saga of a remarkable chain of events

Clay Harris, Vanessa Houlder and Philip Coggan chronicle the controversy surrounding Blue Arrow

THEY didn't say yes, but they didn't say no, so he went ahead. This account of Mr Tony Berry's relationship with fellow directors at Blue Arrow in the waning weeks of 1988 appears to be the most plausible explanation for the act which triggered the recent remarkable chain of events at the UK-based company.

Mr de Savary's company, Chainrock Corporation, which claims Canvey Island in the Thames Estuary as its UK place of business, issued a writ against Blue Arrow just before this month's annual meeting, seeking an injunction restraining it from publishing any statement under a clause of the agreement.

On November 30 1988, a proposal concerning a deal with Mr de Savary was brought to the Blue Arrow board, but it did not take a firm decision either way. Instead, Mr Berry appears to have been told to "proceed with caution," or words to that effect. It seems, however, that the deal Mr Berry struck or the directorship of Blue Arrow was different from the one discussed earlier with the board. In particular, the earlier deal was expected to include a personal guarantee from Mr de Savary.



Tony Berry - architect behind Blue Arrow's meteoric growth

clash with Mr Mitchell Fromstein, former chief of Manpower and now chairman of Blue Arrow, was inevitable. Nevertheless, Mr Berry had agreed to the arrival of non-executive directors, Mr Norman Tehbit, Mr Michael Davies and Mr Dennis Stevenson.

At the AGM, even the disclosure of the deal was hotbedded from a public relations viewpoint. The news came, not voluntarily from the chair, but as the unexpected answer to a question from Mr Michael Ashcroft, chairman of the electronic security and car auction group ADT and controller of a 5 per cent stake in Blue Arrow.

Accountants institute upholds complaint over Gold Fields' ads

By Kenneth Gooding, Mining Correspondent

THE INSTITUTE of Chartered Accountants in England and Wales has upheld a complaint by Minoro, the South African-controlled investment company, that advertisements paid for by Consolidated Gold Fields and approved by the UK group's auditors, Ernst & Whinney, were misleading.

The complaint centred on the impression given by the advertisement that there had been a 300-fold growth in Gold Fields' gold reserves when Minoro believed there had been a six-fold increase. "We can demonstrate that claims made in the advertisement are misleading," Sir Michael protested to the institute. He asked that "Ernst & Whinney as the persons responsible for authorising the issue of the advertisements issue immediately a correction with equal prominence (ie, a double-page advertisement in each of the newspapers in which the original advertisement appeared) to make clear that Gold Fields does not own or control the reserves or prospective production claimed."

Futura turns in £452,000

FUTURA HOLDINGS, the footwear maker and distributor, saw pre-tax profits inch up from the £451,000 for the 52 weeks to December 26 1987 to £452,000 for the 53 weeks to December 31 1988. There was no exceptional debit this time (£25,000).

BOARD MEETINGS table with columns for company name and date

F & C Pacific ahead FT Share Service

Net asset value of F & C Pacific Investment Trust stood at 193.8p at January 31 compared with 148.5p a year earlier and 174.6p at the half year end. Net revenue, after tax of 2955,000 (£744,000) amounted to £2.21m against £1.51m for earnings per share of 2.07p (1.09p).

Grand Metropolitan Finance advertisement including logos, financial details, and a list of financial advisers and banks.

Credit Commercial de France advertisement for floating rate notes due 1992.

Scandinavian Finance B.V. advertisement for floating rate serial notes due 1993.

Wells Fargo & Company advertisement for floating rate subordinated notes due July 1997.

Mount Isa Mines (Coal Finance) Limited advertisement for US\$28,000,000 guaranteed floating rate subordinated notes due January 1996.

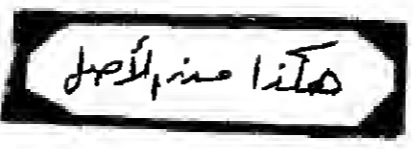
The Bank of New York Overseas Finance N.V. advertisement for guaranteed floating rate subordinated notes due January 1996.

Citicorp Overseas Finance Corporation N.V. advertisement for US\$200,000,000 guaranteed floating rate notes.

MFC Finance No.1 PLC advertisement for mortgage-backed floating rate notes due October 2023.

FINANCIAL TIMES STOCK INDICES table showing various market indices and their values.





FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Main table of unit trusts with columns for Name, Code, Price, and Yield. Includes sections for 'OTHER UK UNIT TRUSTS' and 'City of Edinburgh Life Assurance'.

INSURANCES

Table of insurance policies including 'Allianz Life Assurance Co Ltd', 'City of Edinburgh Life Assurance', 'Deutsche Life', and 'M & G Life and M & G Pensions'. Includes columns for Name, Code, Price, and Yield.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0636 4 + five digit code (listed below). Calls charged at 39p per minute peak and 25p off peak, inc VAT

Main table containing unit trust information, organized into columns for various categories like 'Premium Life Assurance Co Ltd', 'Scottish Equitable Life Assn', 'UK Life Assurance Co Ltd', etc. Each entry includes a company name, a list of unit trusts, and their respective prices.

MANAGEMENT SERVICES

David M. Austin (Overseas) Plc (Pvt) Ltd
The Analysis Group PLC
J. P. Morgan & Co. Inc.

OFFSHORE AND OVERSEAS

Guernsey (GB RECOGNISED)
Luxembourg (GB RECOGNISED)
Jersey (GB RECOGNISED)

LUXEMBOURG (GB RECOGNISED)

Single Star International Assets Fund
Windsor Investment Management Ltd
Windsor Investment Management Ltd

SWITZERLAND (GB RECOGNISED)

U.S.A. Bond Investments AB
U.S.A. Bond Investments AB
U.S.A. Bond Investments AB

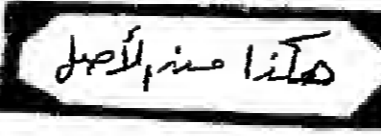
BERMUDA AUTHORISED

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John's note



FT UNIT TRUST INFORMATION SERVICE

Main table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Type, and other details.

LONDON SHARE SERVICE

Table of London Share Service, including sections for British Funds, American Funds, Int. Bank and O'Seas, and Common Wealth & African Funds.

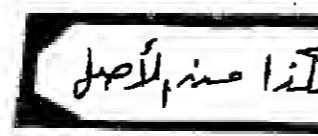
Table of Money Market Trust Funds, listing various trust funds and their performance metrics.

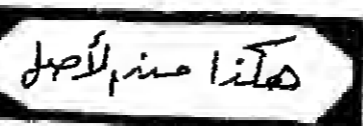
UNIT TRUST NOTES: Price is in pence unless otherwise indicated and these figures are for the month ending 31st March 1989.

LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0636 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Main table containing share prices for various sectors: CANADIANS, BUILDING, TIMBER, ROADS, ELECTRICALS, ENGINEERING - Cont'd, INDUSTRIALS (Misc.) - Cont'd, BANKS, HP & LEASING, CHEMICALS, PLASTICS, FOOD, GROCERIES, ETC, DRAPERY AND STORES, BEERS, WINES & SPIRITS, HOTELS AND CATERERS, INSURANCES, LEISURE.





LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0855 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

LEISURE - Contd

Table of Leisure stocks including Leisure Group, Leisure Leisure, Leisure Leisure, etc. with columns for Stock, Price, Div, Yield, and Dividends.

PROPERTY

Table of Property stocks including Property Property, Property Property, etc. with columns for Stock, Price, Div, Yield, and Dividends.

TEXTILES - Contd

Table of Textiles stocks including Textiles Textiles, Textiles Textiles, etc. with columns for Stock, Price, Div, Yield, and Dividends.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, and Land stocks including Trusts Trusts, Finance Finance, etc. with columns for Stock, Price, Div, Yield, and Dividends.

OIL AND GAS - Contd

Table of Oil and Gas stocks including Oil Oil, Gas Gas, etc. with columns for Stock, Price, Div, Yield, and Dividends.

MINES - Contd

Table of Mines stocks including Mines Mines, Mines Mines, etc. with columns for Stock, Price, Div, Yield, and Dividends.

MOTORS, AIRCRAFT TRADES

Table of Motors and Aircraft Trades stocks including Motors Motors, Aircraft Aircraft, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Commercial Vehicles

Table of Commercial Vehicles stocks including Commercial Commercial, Vehicles Vehicles, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Companys

Table of Companys stocks including Companys Companys, Companys Companys, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Garages and Distributors

Table of Garages and Distributors stocks including Garages Garages, Distributors Distributors, etc. with columns for Stock, Price, Div, Yield, and Dividends.

NEWSPAPERS, PUBLISHERS

Table of Newspapers and Publishers stocks including Newspapers Newspapers, Publishers Publishers, etc. with columns for Stock, Price, Div, Yield, and Dividends.

PAPER PRINTING, ADVERTISING

Table of Paper Printing and Advertising stocks including Paper Paper, Printing Printing, Advertising Advertising, etc. with columns for Stock, Price, Div, Yield, and Dividends.

SHOES AND LEATHER

Table of Shoes and Leather stocks including Shoes Shoes, Leather Leather, etc. with columns for Stock, Price, Div, Yield, and Dividends.

TOBACCO

Table of Tobacco stocks including Tobacco Tobacco, Tobacco Tobacco, etc. with columns for Stock, Price, Div, Yield, and Dividends.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, and Land stocks including Trusts Trusts, Finance Finance, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Investment Trusts

Table of Investment Trusts stocks including Investment Investment, Trusts Trusts, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Finance, Land, etc.

Table of Finance, Land, etc. stocks including Finance Finance, Land Land, etc. with columns for Stock, Price, Div, Yield, and Dividends.

SHIPPING

Table of Shipping stocks including Shipping Shipping, Shipping Shipping, etc. with columns for Stock, Price, Div, Yield, and Dividends.

SOUTH AFRICANS

Table of South Africans stocks including South South, Africans Africans, etc. with columns for Stock, Price, Div, Yield, and Dividends.

TEXTILES

Table of Textiles stocks including Textiles Textiles, Textiles Textiles, etc. with columns for Stock, Price, Div, Yield, and Dividends.

TOBACCO

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TRUSTS, FINANCE, LAND

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Investment Trusts

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Finance, Land, etc.

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SOUTH AFRICANS

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TEXTILES

Table of Textiles stocks including Textiles Textiles, Textiles Textiles, etc. with columns for Stock, Price, Div, Yield, and Dividends.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, and Land stocks including Trusts Trusts, Finance Finance, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Finance, Land, etc.

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Oil and Gas

Table of Oil and Gas stocks including Oil Oil, Gas Gas, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Overseas Traders

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Plantations

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Rubbers, Palm Oil

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Teess

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OVERSEAS TRADERS

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Plantations

Table of Plantations stocks including Plantations Plantations, Plantations Plantations, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Rubbers, Palm Oil

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Teess

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Mines

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Central Rand

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Eastern Rand

Table of Eastern Rand stocks including Eastern Eastern, Rand Rand, etc. with columns for Stock, Price, Div, Yield, and Dividends.

THIRD MARKET

Table of Third Market stocks including Third Third, Market Market, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Mines

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Central Rand

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Eastern Rand

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Far West Rand

Table of Far West Rand stocks including Far West Far West, Rand Rand, etc. with columns for Stock, Price, Div, Yield, and Dividends.

D.F.S.

Table of D.F.S. stocks including D.F.S. D.F.S., D.F.S. D.F.S., etc. with columns for Stock, Price, Div, Yield, and Dividends.

Diamond and Platinum

Table of Diamond and Platinum stocks including Diamond Diamond, Platinum Platinum, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Regional and Irish Stocks

Table of Regional and Irish Stocks including Regional Regional, Irish Irish, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Traditional Options

Table of Traditional Options including Traditional Traditional, Options Options, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Property

Table of Property stocks including Property Property, Property Property, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Oil

Table of Oil stocks including Oil Oil, Oil Oil, etc. with columns for Stock, Price, Div, Yield, and Dividends.

Mines

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Property

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Oil

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £925 per annum for each Company.

CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Inflation holds sway over trade data

THE NET result from Friday's barrage of US economic news was that the dollar weakened, as expectations of tighter US monetary policy faded.

Inflation has become the main focus of attention on the foreign exchanges, possibly because the market cannot see any marked shift in the pattern of world trade in the foreseeable future.

Mr Neil MacKinnon, senior economist at Chase Investment Bank, noted last week that the bank's dealers were much more interested in forecasts for US producer prices than in the trade figures.

This does not mean the market is no longer concerned about the US trade deficit, but it is running at a fairly predictable level and is less likely to send shock waves through the market than a sudden rise in inflationary pressure.

In the event neither producer prices nor the trade data contained any great surprises. Inflation at the wholesale level

was expected to moderate after sharp 1 per cent gains in January and February. The rise of 0.4 per cent in the March CPI, compared favourably with forecasts of around 0.5 per cent.

Forecasts for the February trade deficit ranged from about \$9.6bn to \$11bn, and averaged \$10.2bn according to a survey by Money Market Services. The resulting shortfall of \$10.5bn was again therefore no major shock to the market.

The main problem for the US is that although Friday's figures were in line with expectations there was no sign of any major improvement in the economic picture. Producer prices for the first quarter rose at a seasonally adjusted 10.2 per cent, the largest quarterly gain for eight years. The PPI rose 4 per cent in 1988 and 2.2 per cent in 1987. How much of the rise in wholesale prices has so far fed through into retail inflation will become clearer when the US consumer price index for March is published

tomorrow. The February CPI showed year-on-year inflation running at 4.8 per cent, against an average of 4.4 per cent in the last two years.

As far as trade is concerned there is also no indication of an improving picture. The deficit averaged \$9.6bn per month in the second quarter of last year; \$9.9bn in the third quarter and \$10.1bn in the fourth. After a downward revision to the January deficit to \$8.8bn from \$9.5bn the average for the first two months of this year is \$9.6bn.

Attention is now focused on inflation, but if this should show signs of improving later in the year the focus could turn back towards stubbornly high trade and budget deficits. Mr Rupert Thompson, US economist at Morgan Grenfell, said President Bush's agreement with Congressional negotiators to cut the budget deficit to \$20.4bn from an initial figure of \$28bn in the 1989 fiscal

year must be regarded with scepticism. It might not pass the first Congress and the figure is likely to become progressively harder to meet if US growth is slowing.

Other figures announced last Friday suggested that growth is weakening. Industrial production was unchanged in March, against expectations of a 0.2 per cent rise, and industrial capacity use in the same month fell to 84.0 per cent from a revised 84.2 per cent in February. According to a survey by MMS the February figure was expected to be 84.3 per cent.

Mr Thompson said that in the present circumstances the Federal Reserve cannot afford to tighten its credit stance. That is why the dollar weakened, but it could be a different story tomorrow if the March CPI rises sharply. An annualised inflation rate of 4.8 to 4.9 per cent is expected.

Colin Millham

Table with columns: £ in New York, Apr 14, Close, Previous Close. Rows: 1 month, 3 month, 12 months.

Table with columns: CURRENCY RATES, Apr 14, Bank rate, Special trading rights, European currency. Rows: Australia, Canada, Denmark, etc.

Table with columns: CURRENCY MOVEMENTS, Apr 14, Bank of England, Change. Rows: Australia, Canada, Denmark, etc.

Table with columns: OTHER CURRENCIES, Apr 14, Bank of England, Change. Rows: Argentina, Australia, Brazil, etc.

Table with columns: EURO-CURRENCY INTEREST RATES, Apr 14, Short term, 7 Day notice, etc.

Table with columns: EXCHANGE CROSS RATES, Apr 14, £, \$, DM, Yen, etc.

Table with columns: DOLLAR SPOT-FORWARD AGAINST THE POUND, Apr 14, Day's trading, etc.

Table with columns: DOLLAR SPOT-FORWARD AGAINST THE DOLLAR, Apr 14, Day's trading, etc.

Table with columns: MONEY RATES AND BONDS, Apr 14, Overnight, etc.

Table with columns: LONDON MONEY RATES, Apr 14, Overnight, etc.

Table with columns: FT LONDON INTERBANK FIXING, £100 a.m. Apr 16, 3 months, etc.

Table with columns: BANK OF ENGLAND TREASURY BILL TENDER, Apr 14, Bill on offer, etc.

Table with columns: WEEKLY CHANGE IN WORLD INTEREST RATES, Apr 14, Change, etc.

Table with columns: £ in New York, Apr 14, Close, Previous Close. Rows: 1 month, 3 month, 12 months.

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Table with columns: CURRENCY MOVEMENTS, Apr 14, Bank of England, Change. Rows: Australia, Canada, Denmark, etc.

Table with columns: OTHER CURRENCIES, Apr 14, Bank of England, Change. Rows: Argentina, Australia, Brazil, etc.

Table with columns: EURO-CURRENCY INTEREST RATES, Apr 14, Short term, 7 Day notice, etc.

Table with columns: EXCHANGE CROSS RATES, Apr 14, £, \$, DM, Yen, etc.

Table with columns: DOLLAR SPOT-FORWARD AGAINST THE POUND, Apr 14, Day's trading, etc.

Table with columns: DOLLAR SPOT-FORWARD AGAINST THE DOLLAR, Apr 14, Day's trading, etc.

Table with columns: MONEY RATES AND BONDS, Apr 14, Overnight, etc.

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MONEY MARKETS

Pressure eases on London rates

UPWARD PRESSURE on London interest rates eased on Friday following publication of the March UK retail prices index and various US economic data.

In early trading on Friday three-month sterling interbank was offered at 13 1/16 per cent, virtually discounting a rise of 1/2 point in UK bank base rates.

The inflation rate of 7.9 per cent was only slightly better than feared, but pushed gilt yields up about 1/2 point. London money market rates also fell back, with the three-month rate soon offered at 13 5/16 per cent.

The situation was further helped in the afternoon, when US producer prices rose 0.4 per cent in March, against forecasts of 0.5 per cent, while figures on US industrial production and industrial capacity use were weaker than expected.

Fading fears of tighter US monetary policy gave a further boost to sentiment in London.

Longer gilts finished with gains of over 3/4 point and interest rates continued to fall. Three-month interbank was offered at 13 3/16 per cent at the close, in spite of continued rumblings in the City about higher base rates.

London Research believes there is a better than even chance that rates will have risen to 14 or 15 per cent.

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4pm prices April 14

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Main table containing stock prices, including columns for 12 Month High/Low, Div. Yld., P/E, and various stock symbols like AIG, AIGP, AIGS, etc.

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Johnnie Lita

Continued on Page 48

NYSE COMPOSITE PRICES

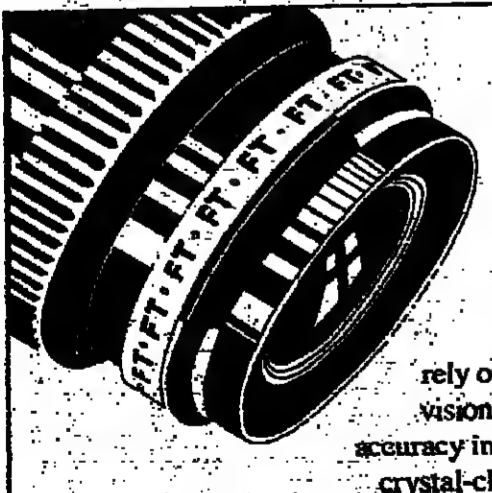
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AMEX COMPOSITE PRICES

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A champion of market socialism

Robert Taylor and Sara Webb speak to Kjell-Olof Feldt, Sweden's Minister of Finance

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PERSONAL FILE

1931 Born, Holmsund, Sweden. Educated Uppsala University...

achieve. "Everybody grumbles about tax reform. I found that for every Swede who thinks they will benefit from the changes...

liament. While he should have no trouble getting parliamentary approval for tax reductions...

Mr Feldt believes that one of the reasons why Sweden has a higher inflation rate than its neighbours is because of the high levels of marginal taxation...

Mr Feldt has spent most of his public life in the Ministry of Finance. In the 1950s and 1960s he worked as a civil servant...

back since. Today Mr Feldt enjoys widespread admiration for his financial skills. He has built up a group of young acolytes...

As the current chairman of the finance ministers committee of the Organisation for Economic Co-operation and Development...

Sweden intends to abolish its remaining foreign exchange controls this year. It plans rapid completion of the deregulation of its financial system...



'I have never believed in planned economies'

helped to produce a national wage agreement between Sweden's blue-collar union organization and the employers...

in the hard-pressed public services. But he also admits that the public health sector is not as efficient as it might be...

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